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Mr. Doe

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Canada, Bill 98, respecting Unemployment
Insurance, Special Committee

SESSION 1940

HOUSE OF COMMONS

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(SPECIAL COMMITTEE

ON

(BILL No. 98)

Respecting

UNEMPLOYMENT INSURANCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

MONDAY, JULY 22, 1940

WITNESSES:

Mr. Gerald H. Brown, Assistant Deputy Minister of Labour.

Mr. A. A. Heaps, of the Unemployment Insurance Branch, Department of Labour.

Mr. Eric Stangroom, Chief Clerk, Department of Labour.

Mr. J. S. Hodgson, Industrial Research Clerk, Department of Labour.

OTTAWA
J. O. PATENAUME, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940





MEMBERS OF THE COMMITTEE

Hon. N. A. McLARTY, *Chairman*

Messieurs:

Cardin,
Chevrier,
Graydon,
Hansell,
Homuth,
Jackman,
Jean,
MacInnis,

Mackenzie (*Vancouver Centre*),
McLarty,
McNiven (*Regina City*),
Picard,
Pottier,
Reid,
Roebuck.

ANTOINE CHASSE,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, 19 July, 1940.

Resolved.—That Bill No. 98, An Act to establish an Unemployment Insurance Commission, to provide for Insurance against unemployment, to establish an Employment Service, and for other purposes related thereto, be referred to a Special Committee of the House consisting of Messrs. Cardin, Chevrier, Graydon, Hansell, Homuth, Jackman, Jean, MacInnis, Mackenzie (Vancouver Centre), McLarty, McNiven (Regina City), Picard, Pottier, Reid and Roebuck, with power to call for persons, papers and records, to examine witnesses, and to report from time to time.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, July 22, 1940.

Ordered: That the said Committee be empowered to print, from day to day, 1,000 copies in English and 400 copies in French, of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered: That the said Committee be empowered to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

MONDAY, July 22nd, 1940.

The Special Committee on Bill No. 98 respecting Unemployment Insurance
begs leave to present the following as a

FIRST REPORT

Your Committee recommends that it be empowered to print, from day to day, 1,000 copies in English and 400 copies in French, of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Your Committee also recommends that it be empowered to sit while the House is sitting.

All of which is respectfully submitted,

N. A. McLARTY,

Chairman.

MINUTES OF PROCEEDINGS

MONDAY, July 22, 1940.

The Special Committee on Bill No. 98, respecting Unemployment Insurance met this day at eleven o'clock a.m.

Members present: Messrs. Cardin, Chevrier, Graydon, Hansell, Jackman, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Pottier, Reid, Roebuck.

Members of the Senate in attendance: Hon. Senators J. T. Haig, J. A. Macdonald (*Cardigan*), W. Duff, J. E. Sinclair.

In attendance: Mr. Gerald H. Brown, Assistant Deputy Minister of Labour; Mr. Eric Stangroom, Chief Clerk, Department of Labour; Mr. J. S. Hodgson, Industrial Research Clerk, Department of Labour; Mr. A. A. Heaps of the Unemployment Insurance Branch, Department of Labour; Mr. Tom Moore, president of the Trade and Labour Congress of Canada and Mr. Fred Molineux, General Organizer, Brotherhood of Painters, Decorators and Paperhangers of America, representing the Trade and Labour Congress of Canada; Mr. Norman S. Dowd, Sec'y-Treas. of the All-Canadian Congress of Labour.

Nominations for Chairman having been requested, Mr. Graydon moved seconded by Mr. MacInnis that the Hon. N. A. McLarty be elected Chairman. There being no other nominations, Mr. McLarty was unanimously elected. He took the Chair and thanked the members of the Committee for the honour conferred upon him.

The Chairman outlined the business on the order for the day and the Committee immediately proceeded with its deliberations.

On motion of Mr. Reid, seconded by Mr. MacInnis, the following resolution was unanimously carried:

Resolved: That an invitation be extended to the Honourable Members of the Senate to attend the meetings of this Committee and to participate in the examination of witnesses and in the debate on the various clauses.

On motion of Mr. Mackenzie (*Vancouver Centre*), seconded by Mr. McNiven (*Regina City*), the following resolution was unanimously carried:

Resolved: That the Committee ask leave to print, from day to day, 1,000 copies in English and 400 copies in French, of its Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

On motion of Mr. Reid, seconded by Mr. Roebuck, the Committee unanimously

Resolved: That the Committee ask leave to sit while the House is sitting.

The Chairman with the consent of the Committee invited Mr. Gerald S. Brown, Assistant Deputy Minister of Labour, to give an outline of the Unemployment Insurance scheme as contained in Bill No. 98 of 1940. Mr. Brown thereupon addressed the Committee and answered questions. At the conclusion of his testimony the witness was thanked by the Chairman and he retired.

The Chairman then asked Mr. A. A. Heaps, of the Unemployment Branch of the Department of Labour to take the Stand. The witness informed the Committee in respect to the cost of administration of the Act. At the conclusion of his presentation the witness was thanked by the Chairman and he retired.

The question of hearings by the Committee of representatives of organized industrial and labour associations was then discussed and it was agreed that this question be left in the hands of a sub-committee which would report to the Committee from time to time.

On motion of Mr. Reid, seconded by Mr. Pottier, the Committee unanimously carried the following resolution:

Resolved: That a subcommittee, consisting of the Chairman and Messrs. Mackenzie (*Vancouver Centre*), Chevrier, MacInnis and Graydon, be set up to arrange the procedure before the Committee and make arrangements for the order in which witnesses will appear and as far as possible report on the probable duration of presentations.

At 12.55 p.m., on motion of Mr. Chevrier, the Committee adjourned to meet again at 3.30 p.m., this day.

ANTOINE CHASSE,
Clerk of the Committee.

MONDAY, July 22, 1940.

The Committee met again at 4.00 p.m., Hon. N. A. McLarty, the Chairman, presiding.

Members present: Messrs. Chevrier, Graydon, Hansell, Jackman, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators J. E. Sinclair, J. A. Macdonald (*Cardigan*).

In attendance: The officials from the Department of Labour, the representatives of the Trade and Labour Congress of Canada and of the All-Canadian Congress of Labour, attending the morning sitting and already mentioned, were again in attendance during the afternoon sitting of the Committee.

Mr. Eric Stangroom, Chief Clerk in the Department of Labour, at the invitation of the Committee took the stand. The witness discussed the advantages of graded contributions and benefits as opposed to the so-called flat rates. At the conclusion of his presentation the witness answered a number of questions and after being thanked by the Chairman he retired.

Mr. J. S. Hodgson, Industrial Research Clerk, of the Department of Labour, Ottawa, was in turn invited to take the stand. The witness dealt at length with the merit-rating and with certain questions arising out of the schedules contained in the Bill (98) under consideration. His presentation was interrupted for the dinner recess.

At 6.00 p.m., on motion of Mr. Picard, the Committee adjourned to meet again at 8.30 p.m. this day.

ANTOINE CHASSE,
Clerk of the Committee.

MONDAY, July 22, 1940.

The Committee resumed at 8.30 p.m. this day. The Chairman, Hon. N. A. McLarty, presided.

Members present: Messrs. Cardin, Chevrier, Graydon, Hansell, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators A. L. Beau-bien, A. B. Copp, R. B. Horner, C. MacArthur, J. E. Sinclair.

In attendance: The officials from the Labour Department, the representatives of the Trade and Labour Congress of Canada and of the All-Canadian Congress of Labour, attending the morning and afternoon sittings and already mentioned, were again in attendance during the evening sitting.

Mr. J. S. Hodgson, Industrial Research Clerk, of the Department of Labour resumed the stand. After completing his presentation begun during the afternoon sitting the witness answered certain questions, and then retired.

Hon. Ian Mackenzie suggested that the Committee express its appreciation for the very able manner in which the four officials of the Department of Labour heard during the day had presented the various aspects of the subject-matter of the Bill (98) under consideration. After the Chairman had voiced the thanks of the Committee to the various witnesses, the Committee proceeded to consider the Bill (98) section by section.

The following sections were adopted:—

1, 2, 3, 4, 5 (1) (2) (3), 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18,
19 (1) (3) (4), 21, 22, 24, 25.

The following sections stood over for further consideration:

5 (4), 12, 19 (2), 20, 23.

At 11.00 p.m., the Committee adjourned to meet again at 10.30 a.m. Tuesday, July 23rd.

ANTOINE CHASSE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 227,

July 22, 1940.

The Special Committee on Bill No. 98 respecting Unemployment Insurance met at 11 o'clock a.m.

In attendance: Mr. Gerald H. Brown, Assistant Deputy Minister of Labour, Mr. A. A. Heaps, Mr. T. Stangroom, Mr. J. S. Hodgson, Mr. A. D. Watson, Chief Actuary, Department of Insurance.

The CHAIRMAN: Gentlemen, I wish to thank you for the honour you have conferred upon me of electing me chairman of the committee. I suggest the first thing we should appropriately do is this: Representations have been received from the Senate of Canada suggesting that they would like to participate in the discussions, and I would ask if it is the wish of the committee that an invitation be sent to them forthwith from this committee asking them to attend and participate to such an extent as they deem desirable.

On motion by Mr. Reid, seconded by Mr. MacInnis, it was directed that an invitation as indicated by the chairman be forwarded to the Senate forthwith.

The CHAIRMAN: Gentlemen, I think, perhaps, it might be useful, before the committee starts its proceedings, if we could agree on some general line of procedure which would make our progress more uniform and undoubtedly promote it. The suggested method of procedure which I have drafted and on which I would like to have the views of the committee is, first, that we obtain an explanation of the bill, which as you know is quite a long one, and we have arranged that four of the officials of the Department of Labour who have been most actively and continuously engaged in its preparation should each make some statement on the various phases of the matter. These gentlemen are Mr. Gerald Brown, Assistant Deputy Minister of Labour; Mr. Heaps, whom you all know; Mr. Stangroom, who has been giving his attention to it for a considerable period of time; and Mr. Hodgson who has also studied the measure in detail. After that I thought we should probably proceed to the tabling of the actuarial report. That report has been prepared by Mr. Watson, Chief Actuary of the Department of Insurance, and one who enjoys an international reputation as an actuary, and who has been kind enough to agree to attend to answer any questions which the committee may see fit to ask him. Having done that I thought we could then proceed to hearing the representations of those interested and who wish to be heard in the matter, and at the conclusion of that a consideration of the bill clause by clause, and then prepare the report of the Committee. Does that order of procedure appeal to you?

Mr. ROEBUCK: That sounds very good to me, Mr. Chairman. If a motion is required to confirm it, I do not know that it is, but I would be glad to so move.

The CHAIRMAN: I do not think a motion is needed if we agree on that order of procedure.

Hon. MEMBERS: Agreed.

The CHAIRMAN: In that case then, gentlemen, I will call Mr. Gerald H. Brown to explain the background of the measure.

Mr. GERALD H. BROWN, Assistant Deputy Minister of Labour, called:

The WITNESS: Mr. Chairman and gentlemen of the committee: The first thing that I should like to say is that the subject of unemployment insurance has been under examination and review in the Department of Labour, from which the present bill has emanated, during a period of upwards of twenty years.

Mr. ROEBUCK: Mr. Chairman, would it not be better if the witness, or the speaker, occupies a space say about where Mr. Heaps is sitting rather than where Mr. Brown now stands?

The CHAIRMAN: Quite so. Perhaps it would be better if he spoke from over there at the centre table.

The WITNESS: Mr. Chairman and gentlemen of the committee: The subject of unemployment insurance is one which has been under constant examination and review in the Department of Labour for a period of upwards of twenty years. The Minister of Labour (Hon. Mr. McLarty) in presenting the resolution to the house on which the present bill is founded referred to a recommendation which was made in April, 1919, in favour of the establishment of a national system of unemployment insurance, which was made by the Royal Commission on Industrial Relations which had toured the country from coast to coast. This recommendation was unanimously endorsed by a national industrial conference, which assembled in Ottawa in the fall of 1919 and which was attended by 210 leading representatives of industry and labour and representatives of the government as well.

Members of the committee are aware, of course, that the principle of a state system of unemployment insurance, a contributory system to be supported by employers, and workers, and assisted by the state, has been approved on more than one occasion by a resolution in the house. I had, myself, the privilege of attending as a witness before a committee of the house in 1928 and 1929 when this subject was under consideration; at that time on motion of Mr. Heaps. It is not necessary, of course, that I should do more than remind the members of the committee of the adoption by parliament of the Employment and Social Insurance Act of 1935 and of its disallowance in 1937 by the Judicial Committee of the Privy Council, as involving an invasion of provincial rights. In the fall of the same year, 1937, in which the decision of the Privy Council was made, the then Minister of Labour, the late Hon. Mr. Rogers, arranged for a visit to Canada to be made by Mr. D. Christie Tait of the International Labour Office in Geneva, who is regarded as an authority of international repute on unemployment insurance, both as to legislation and administration; for the purpose of giving us the benefit of his views in the preparation of a bill for presentation to parliament suited to the conditions existing in this country. Letters were addressed at that time by the Prime Minister, the Rt. Hon. Mr. Mackenzie King, to all of the provincial governments, as you will recall, asking that parliament should be vested with the power to deal with this subject matter by amendment to the British North America Act; but the consent of three of the provinces to this procedure was not given until the present year. And, as we know, the British North America Act was amended accordingly within the past few weeks.

By Mr. Graydon:

Q. What provinces do you refer to?—A. The three provinces in question were Quebec, New Brunswick and Alberta; which for the time being for different reasons had not fallen in line fully with the government's suggestion.

May I make mention as well of the endorsement of the national system of unemployment insurance by the National Industrial Commission which was appointed by the late Minister of Labour in 1937, in its final report in 1938, and as well of the endorsement of unemployment insurance by the Royal Com-

[Mr. Gerald H. Brown.]

mission on Dominion-Provincial Relations, the report of which has been presented to the government and to parliament since the opening of the present session.

Now, it may I think fairly be said therefore that the subject matter dealt with in the present bill has been before the government and before the Department of Labour in particular continuously for more than two decades; intensively so during recent years, and very intensively during recent months; that the subject matter has been under constant review and that we have been in touch both with thought and with action elsewhere as well as with the views which are entertained by employers and employed interests in the country here itself. Members of the committee, therefore, Mr. Chairman, may be assured that the bill which is before them has not been drawn up over night, that it has not been conceived in any circumstances of undue haste, but that every possible care has been taken on the part of those of us who have had to do with the preparation and drafting of the measure in the Department of Labour and in the Department of Justice as well, and on the part of the Chief Actuary of the Department of Insurance also—that every care and attention possible has been given to the different features which are involved. Now, Mr. Heaps, Mr. Stangroom and Mr. Hodgson—

Hon. Mr. MACKENZIE: Would you speak a little louder, please?

The WITNESS: Yes, sir.—whose assistance has been afforded to us through the Civil Service Commission in the drafting of the bill are quite prepared, as I am myself, to afford the committee any assistance that is in our power in reaching a wise conclusion as to the principles and the detailed provisions, and to answer any questions that may arise as well as we may be able to.

I should like before passing along further to mention the assistance, the splendid assistance, that has been given to us by Mr. Watson, the Chief Actuary of the Department of Insurance, who has submitted an actuarial report copies of which have been mimeographed and will be presented to members of the committee; they are available for distribution at once. The report is one which expresses complete acquiescence in the financial features of the measure. Now, the systems of unemployment insurance existing in different countries fall into two groups: one group is made up of systems existing in some ten European countries, covering four and one-half millions of working people, based on contributions by public authorities, to union funds of one kind and another. The other group is made up of thirteen countries in Europe and elsewhere, including Great Britain, Germany, Italy, Russia, South Africa, Australia in part, and more recently, the United States having schemes based on the principle of compulsory maintenance of unemployment benefits covering in all, it is estimated, upwards of ninety million people in different parts of the world, and, of course, very many more if dependents are taken into account.

So much, gentlemen, for what may be regarded as the background, unless anyone would like to ask any questions. If not, I shall proceed to deal very briefly with the principal features of the measure which have been referred to the committee for attention, leaving it to Mr. Heaps, Mr. Stangroom and Mr. Hodgson to deal with the different features more in detail, if that will meet with your approval.

The Honourable Mr. McLarty had mentioned when the bill was before the house that it will apply to employed persons to the number of two million one hundred thousand, as compared with one million six hundred thousand, under the bill of 1935. This increase is based mainly on an estimate of the Bureau of Statistics and represents the increase which has occurred or will have occurred next decennial census in the number of employed work people in the country, male and female.

The two million, one hundred thousand work people who will be covered by this scheme represent a very substantial proportion, indeed, of the total wage-earning population of the country, which is estimated by the Bureau of Statistics for next year at two million, seven hundred and ninety-four thousand in all.

I need scarcely say that the 1935 Act was modelled closely on the British Unemployment Insurance Act, which was the first national system of unemployment insurance to be set up in any country.

Mr. ROEBUCK: I do not understand those two figures.

The WITNESS: Two million, one hundred thousand, out of two million, seven hundred and ninety-four thousand in all. I do not need to more than mention, sir, the exceptions, comprising as they do, agriculture, forestry, fishing, lumbering, logging, transportation by air or water, stevedoring, private domestic services, and so on, which constitute the difference between the two million one hundred thousand and the two million seven hundred and ninety-four thousand.

Mr. GRAYDON: Do you include horticulture in agriculture?

The WITNESS: I am not in as good a position as I would like to be to answer that question, but I shall be pleased to have a definite answer given, if I may, very shortly.

The bill falls into five main parts. The first part deals with the administrative body, the Unemployment Insurance Commission.

The next part deals with the conditions under which the insurance is to be payable.

The third feature is the establishment of an unemployment insurance advisory committee.

Then there is the establishment of a national system of employment offices.

Finally, we have the schedules setting out the lists of occupations and industries covered and those excepted from the measure, as well as the scales of contributions and benefits.

The commission is to be composed of three members, one to be selected in consultation with organizations of industry, and another in consultation with organizations of employers, the chief commissioner to be designated by the government. The latter, the chief commissioner, is to hold office for ten years; the other two commissioners for five years.

The thought in providing for the five-year term for the two commissioners, other than the chief commissioner, is to insure that the representatives designated on behalf of industry and labour would be regarded as still being acceptable over a period of years because of the changing conditions which are apt to occur in organizations of that kind.

Systems of administration of unemployment insurance vary in different countries. In Great Britain the administration is carried on by a department of the government, whilst in Germany and Italy national institutions separate from the government departments were set up for administrative purposes.

In the United States, the administration is under the control of what is known as the Social Security Board. The arrangements in the individual States of the American union vary considerably as to administration. In twenty-eight states there are commissions of one kind and another. In other instances the administration is in the hands of departmental authorities.

Passing next to the question of staff, the entire staff under the bill will be appointed by the Civil Service Commission. Apart from the headquarters at Ottawa, there will be a staff for the regional offices and for the local offices throughout the country.

The regional set-up that we had in mind is one that would perhaps treat the lower provinces as one part and the province of Quebec as another part. The

[Mr. Gerald H. Brown.]

province of Ontario and the more highly industrialized parts of the province of Quebec would be another region, and the prairie provinces and the pacific coast are separate regions.

It was estimated by the late Sir George Perley, when he was acting for Mr. Bennett when the unemployment insurance bill was before parliament in 1935, that there would be some three thousand eight hundred of staff in all required for the administration of the Unemployment Insurance Act.

Mr. GRAYDON: Would that include the employment service?

The WITNESS: It did, yes. Notwithstanding the increase from one million, six hundred thousand coverage to two million, one hundred thousand, we are quite satisfied, in the light both of English and of American experience, to say nothing of experience elsewhere, that the estimate of the staff made at that time was excessive. It is impossible to make an exact estimate of the staff, but our feeling has been that it would not run much more than three thousand, even with the increased coverage that I have spoken of from one million six hundred thousand to two million one hundred thousand.

We have estimated that there will be some eighty-three principal offices scattered throughout the country. In some of the larger cities more than one will be in the same centre. But we have estimated some eighty-three principal local offices and some fifteen hundred sub offices for the handling of the employment service and of the unemployment insurance aspects of the legislation together, because these matters will be taken care of in the same offices.

If the members of the committee desire it I would be pleased to run over the enacting provisions of the bill.

The enacting provisions as to unemployment insurance, as you see, are contained in sections 13 to 16.

Methods prescribed for the collection of contributions by workers and employers are outlined in sections 17 to 26.

The right of insured persons to insurance benefits—sections 27 to 42, including the statutory conditions under which insurance benefits will be paid, section 28.

Disqualification for benefits—sections 42 to 45.

Determination of questions, sections 46 to 51.

The appointment of courts of referees to deal with disputed claims in different localities and of an umpire whose decision on appeals is to be final—sections 52-53.

The appointment of insurance officers having to do with the collection of contributions and the payment of benefits, sections 54-66.

Legal proceedings, sections 67-72.

Inspection, sections 73-76.

The establishment of an unemployment insurance fund and the appointment of an investment committee, sections 77-81.

Passing now to the unemployment insurance advisory committee, which is provided for in the sections following 82 to 87, this body is to report to parliament annually on the insufficiency or the over-sufficiency of the insurance fund. It is to investigate the desirability of extending the benefits of the Act to industries which are exempt or not covered at the outset, and it is to report on the desire of the public authorities and to recommend any necessary amendments to the Act.

Part 3 of the bill, sections 88 to 91, provides for the organization of a national system of employment offices to assist workers in obtaining employment for which they are fitted and to aid employers in obtaining the services of workers suitable to their needs.

There are no compulsory features attending the employment service. It is a free service; its use is entirely voluntary in all respects. People receiving insurance would have to report to the employment office in connection with—

By Hon. Mr. Mackenzie:

Q. Will the provinces continue their existing scheme of employment offices?—A. The existing scheme of provincial employment offices is a dominion-provincial set-up, which has been subsidized from the dominion treasury. The agreements with the provinces are subject to one month's notice of termination, and the bill before you contains a provision permitting of the rescinding of the federal statute which—

Q. You have an agreement with the provinces now?—A. —will permit of the withdrawal of federal aid. You would realize that the benefits of the service will extend beyond the insured industries to the employment services generally. It will cover the whole field of employment. It will therefore have to do with domestic service; it will have to do with lumbering; it will have to do with fishing and it will have to do with all these lines of employment in industries which are not covered by unemployment insurance.

By Mr. Graydon:

Q. Has this been taken up with the provinces and have they consented to this change?—A. The whole matter was taken up with the provinces by the Prime Minister to this extent, that the provinces were asked if they were agreeable to the subject of unemployment insurance—

Q. I am referring to the employment offices?—A. —being brought within federal jurisdiction.

Q. I am referring more particularly to federal services?—A. The Justice Department which has advised us in these matters has advised that the employment service is a necessary feature; it is an essential part of the unemployment insurance system. You could not operate unemployment insurance without the employment office to test out the man's willingness to take work when work was available.

By Hon. Mr. Mackenzie:

Q. Have you received any objection from any province with regard to this scheme?—A. None whatever.

By Mr. Roebuck:

Q. That provision was in the 1935 act?—A. Yes.

Q. So everybody knew that was what this act involved?—A. Yes.

By Mr. McNiven:

Q. Will employment offices take care of seasonal workers too?—A. Yes.

By Mr. Reid:

Q. What will the attitude be if the jurisdiction covers the field of endeavour but does not come within the scope of the bill? I have in mind domestic service and other occupations.—A. Well, of course, as a constitutional matter the answer to that I presume would be that the British North America Act has conferred exclusive jurisdiction on parliament as to unemployment insurance and, therefore, that so far as the service functions qua unemployment insurance, as you would say, that that is a matter which is exclusively under federal control, but that the field outside of that is open, if it was so desired. The legislation before parliament does not, so far as the employment service aspect is concerned, take away power from the local authorities, if the local authorities saw fit to maintain their service.

[Mr. Gerald H. Brown.]

By Hon. Mr. Mackenzie:

Q. My recollection is that the Purvis Commission report states that the provinces were agreeable to having this service established?—A. That is correct; the Purvis Commission went into the subject with the provinces two years ago, and the taking over of the employment services was strongly favoured by the Purvis Commission at that time. They even urged that this should be done, apart from unemployment insurance altogether.

By Mr. Chevrier:

Q. Does this scheme envisage taking over and operating the offices that the provinces had heretofore?—A. The number of offices will be considerably increased. The bill is not in a form to take over the provincial system; it is a bill to set up a national system. That is about as clearly as I can answer the point. But obviously with the existence of provincial systems the question will arise as to the arrangement with the provinces with regard to the substitution of one system for the other.

By Mr. Jackman:

Q. Would it be within the scope of the provincial system to take into account those excepted occupations such as domestic service and so forth? Can they go outside the field of the act itself to those exempted occupations?

The CHAIRMAN: It is purely voluntary outside.

By Mr. Jackman:

Q. Would that result in a duplication of employment offices on the part of the provinces with regard to people coming within the exempted classification?

The CHAIRMAN: Practically I would not think there would be any difficulty in that connection, Mr. Jackman.

By Mr. Jackman:

Q. In other words, the administration of employment offices would include such services as domestic service?—A. Quite so.

Q. And other exempted occupations?

The CHAIRMAN: It will include them, and it does not thereby exclude the provinces if they want to have offices outside the act.

Mr. ROEBUCK: The province is not excluded by this act from the industries which are covered by this act.

The CHAIRMAN: It does not take away that power.

The WITNESS: May I come now to the schedule? I have brought with me copies of two memoranda one dealing with an outline of this bill and the other containing an outline of some of the principal differences between the present measure and the one which was adopted in 1935. With regard to the financial aspects of the bill, the most outstanding—

The CHAIRMAN: May I interrupt you for one moment? I should like to explain to the senators present that we have extended an invitation to the senators to be present at our meetings, and if there are any senators present who should like to participate in our proceedings they may ask any questions they desire. It is your privilege, gentlemen, to do that.

The WITNESS: The principal features of the financial aspects of the bill to which attention may be directed at once are these: benefits will be payable after thirty weekly contributions having been paid within a period of two years.

By Hon. Mr. Mackenzie:

Q. Thirty weeks or 180 days?—A. More accurately, 180 days, because contributions may be paid either in the form of weekly or daily payments.

The 1935 act required forty payments; the provision in the present bill is thirty payments. With regard to these thirty payments someone may ask how long would it be before the benefits would be payable at all. Well, the answer would be after thirty weekly payments.

By Mr. Graydon:

Q. Within two years?—A. Within two years.

Q. So the first payment would not be made until the end of two years?—
A. Oh, no.

The CHAIRMAN: No, not as long as that.

The WITNESS: Within a period of two years. The basis of contribution is one in which it will be noted the employer and worker contributions are graded in amount from the low wage groups up to those in the higher wage bracket. It will be noticed that the employer contributions are heavier in the lower wage group than is the case with respect to those who are receiving higher scales of remuneration. The reason for this, of course, is obvious. The reason is the desire in the legislation to assist materially those who are in receipt of low wages. The bill, of course, in the nature of the case, is not one that can deal with the wages problem which lies back of unemployment. The whole wages problem, of course, is one after all, I suppose, which is under provincial jurisdiction rather than federal jurisdiction except as to our own works and undertakings.

By Mr. Roebuck:

Q. I have heard it said that the total contributions of the two classes, employer on the one hand and the employee on the other hand will be about equal one to the other.—A. That is correct, Mr. Roebuck. We have received a certificate from the chief actuary of the Department of Insurance that the contributions will total approximately the same amount for employers and workers.

Q. I have a schedule before me and I notice that in every instance, starting with the lower group, in the five first classifications, the employer pays more and in only the last two, the sixth and seventh, does the workman pay more than the employer. It does seem to me hard to imagine that there are as many in the last two classes as there are in the first two or that the difference between the amounts would make such totals.—A. Well, now, Mr. Stangroom who is here with me has the figures we have gathered from the Bureau of Statistics through the chief actuary, dealing with the numbers in these various groups and if it would be agreeable to you, sir, I will let him deal with that aspect of it following this statement. And now, Mr. Mackenzie, I think it was, referred to the fact that the contributions of employers and workers would be approximately the same. The estimate of the chief actuary, which is given in his report furnished to us quite recently, is that the income of the fund in 1941 would be about \$58,500,000 made up of contributions of approximately \$23,400,000 each from employers and workers, and about \$9,700,000 from the government. These figures, gentlemen, are slightly different from ones which were—

By Hon. Mr. Mackenzie:

Q. The figure was \$28,000,000 in the first statement provided.—A. The final examination made by the chief actuary of the Department of Insurance has convinced me that the total income of the fund, instead of amounting to \$60,000,000 odd will be \$58,500,000; that the total contributions of employers and workers instead of being \$28,000,000 will be \$23,400,000.

Q. Have the figures for the cost of administration changed at all?—A. The cost of administration, Mr. Mackenzie, remains the same. It is only an estimate. The estimate is \$5,225,000. I do not need to say that the cost of administration

[Mr. Gerald H. Brown.]

is difficult to deal with actuarially. It is a matter, therefore, which is very properly left to parliament to pass upon from year to year; and in dealing with the administrative aspect of unemployment insurance the opportunity will be afforded to parliament from year to year to look into the matter. The question will come up and every opportunity will be afforded properly to parliament of keeping in touch with the scheme.

Now I might speak of the difference between the graded scheme and the flat rate of benefits which were set out—the so-called flat rate of benefits—which were set out in the legislation of 1935. As a matter of fact, the so-called flat rate was not a flat rate at all. It is very far from a flat rate also in Great Britain; it is a series of rates in both cases, based on age groups; whereas the measure before you is one in which the matter is dealt with, instead, on a basis of wage groups; and the measure before you is more definitely on insurance principles than was the prior measure which had regard to the extent that it did to dependants and, therefore, was intended to deal with the problem of need. In facing up to the matter in the present instance, of course, no public authority can ignore the question of need. But in the present measure that has been done.

By Hon. Mr. Mackenzie:

Q. Will you explain to the committee the difference, as far as dependants are concerned, between the effects of the two systems—the flat rate and the graded rate?—A. Yes. In the 1935 Act, apart from a payment of a benefit of \$1.00 a day or less than that to young people per day, or \$6.00 a week or less than that to young people, there was provision made additionally for dependants' benefits, for a wife, for a child, or other dependants; and there was an overriding provision to the effect that the total payment in any case would not be more than 80 per cent of the person's normal earnings for a period of six months previous. In the present bill the question of need does not appear, but the principle of the legislation is that the benefits will be based on the person's normal earnings over a period of his previous employment. If the person moves from one wage group into another over a period of a year—or two years, or five years, as far as that is concerned—if he moves from one group into another on the basis of higher contributions at one time than at another time, in that event his benefits will be the average of the different wage groups that his periods of service have fallen into.

By Mr. Reid:

Q. Will there be any other period included, such as the period that a man might earn a higher wage against a lower?—A. The insurance, of course, extends only to people earning not more than \$2,000 per year. If the person who is insured goes on in his earning to the point where he is earning more than \$2,000 a year, it is permitted in the bill for him to go on contributing to it at his own cost and charge.

By Hon. Mr. Mackenzie:

Q. Even in this bill a man with dependants gets more benefits than a single man, does he?—A. We are convinced that in the present bill neither the single person nor the married person with dependants will suffer. We are convinced of that. We have gone into it from every angle. It is, of course, impossible, sir, to cover the last exceptional case, perhaps, or the last exceptional needs. It may be impossible to do that, and it is impossible. But we are convinced that the bill is one which, from the point of view of benefits, compares favourably with what has been put forward previously here. We are satisfied that it compares favourably as well with the system which exists across the line in the United States.

By Mr. Reid:

Q. Would you mind clarifying that point for my information, Mr. Brown? Suppose a man contributes for thirty weeks. Suppose within that period of 104 weeks he may contribute thirty weeks, the very first period, and then he may be idle, having been thrown out of work for the following thirty weeks?—A. He may have his thirty weeks employment at any time during that period of two years. When he has thirty weeks' benefits—I should say contributions, he is entitled to benefit if he falls out of work. I have not spoken of one important aspect of the financial part of the bill; that is to say, what is referred to as the ratio of benefits to contributions. In the legislation of 1935 it was provided that any one falling into unemployment would be entitled to thirteen weeks' benefit. Any one would be entitled to thirteen weeks' benefit. After that he would receive additional benefit on the basis somewhat in proportion to his contribution.

By Hon. Mr. Mackenzie:

Q. That would be thirteen weeks within two years?—A. Yes.
Q. Not necessarily continuously?—A. No.

The CHAIRMAN: 180 days.

Hon. Mr. MACKENZIE: Yes.

The WITNESS: But in the present measure this provision for the payment of thirteen weeks' benefit is withdrawn and the provision is substituted that he is entitled to one payment or benefit for five weekly contributions, whatever they may be, over a period of time. There is an arrangement, therefore, under which if a person has contributed for five years, without any unemployment, he would be entitled to a full year's benefits, or fifty-two weeks of benefits, without interruption or question whatever. There is no provision in the bill as to the person's need when he falls out of employment. It is a matter of right. It is not, therefore, a measure which is linked up in any way with relief. It is an attempt to face up to insurance principles, on a contributory basis, between the employer, the worker and the state. Mr. Tait, who came to us in 1937, and was with us some months, directed particular attention when he came to the disadvantages of the flat rate system and dealt with it in his report afterwards. He spoke of the differences existing in this country between the rural and urban centres, between different sections of the country, the different wage conditions that existed; and in speaking of them, he referred to the advantages that would accrue from a graded system that would be more or less in accord with normal conditions as they existed.

By Mr. Graydon:

Q. Is this flat rate to which you have referred applicable in the case of Great Britain and the United States?

Hon. Mr. MACKENZIE: Not in the United States.

The WITNESS: The United States system is one in which the workers are dealt with on the basis of their individual earnings, as they would be in this country for workmen's compensation.

By Hon. Mr. Mackenzie:

Q. They do not contribute in the United States at all?—A. In the United States there is no contribution by the worker whatever. The fund in the United States is maintained by a 3 per cent levy on payrolls.

Q. Does it not vary in each state?—A. No. It is a 3 per cent levy on payrolls.

[Mr. Gerald H. Brown.]

Q. On payrolls?—A. Ten per cent of that is taken out for federal administration and held back by the federal government. It has got to be put into the federal fund and 10 per cent is cut off for administrative purposes. But the American arrangement is one which does not involve any worker contribution directly whatever. It comes off the payroll. The English system is one of a tripartite nature, with equal contributions from employer, worker and the state. The system which is before you here is one in which the contribution will be on the basis of specified amounts, weekly or daily, from employer and worker, with the government contributing 20 per cent of the total contributions of employers and workers—adding 20 per cent of their joint contributions to the fund, plus the cost of administration.

In drafting the bill it, of course, was realized by us all that it was not easy to deal with a matter of this nature in a way that would face up to the varying conditions that exist in so many different parts of the country. In the Department of Labour—we have had the intimate touch that we have had with relief, and with the sorrows and the cares of unemployment, as they have been on our hands over a period of many years past. In dealing with the present matter, it has therefore been brought home to us all through the job that we have been dealing with matters of not actuarial calculations alone or insurance principles, but that we have been dealing with matters that involve the very lives of thousands, tens of thousands and hundreds of thousands of our own people.

Then if I may, Mr. Minister, bring these somewhat lengthy remarks to a close, I would add that there are copies available for distribution at once of the insurance actuaries' final report which was only received this past week in its final form; also a serviceable summary of the bill, and a short statement dealing with the differences in this measure and the 1935 Act.

By Mr. Roebuck:

Q. Is that Tait report available?—A. The Tait report is available as well, yes, for anyone who desires it. It is an official document, and it is at your service.

By Hon. Mr. Mackenzie:

Q. Did the Department of Labour give any consideration to the advisability or the possibility or otherwise of including those who may be serving in the forces in Canada within the provisions of this measure?—A. Well, the answer, sir, is in the affirmative.

Q. I suppose in that case, the state being both employer—if you want to use that word—and contributor, it might upset the actuarial balance. Would it or would it not?—A. Well, of course, it is a question, Mr. Minister, to what extent the actual provisions in this bill would lend themselves ideally—the figures in it and all that—to the case of the large number of workers and employed people generally who are serving in the forces. But there is provision in the bill that the Unemployment Insurance Advisory Committee may advise as to any separate schemes.

Q. I see.—A. They may advise as to any separate schemes; for instance, conceivably any separate scheme, such as they have in England, for agriculture; conceivably for a separate scheme for fishermen or any other section.

By Mr. Reid:

Q. Did I get you right in the earlier part of your remarks when you said that in the 1935 bill it was estimated there would be only 50 per cent of the numbers estimated in the 1940 bill?—A. The number of persons coming under the scheme?

Q. Yes.

A. It was estimated in 1935 that the number coming under the scheme would be 1,600,000.

Q. I got you correctly then.—A. Now then, the number according to the estimate of the Bureau of Statistics who would come under the scheme next year is 2,100,000.

Q. Why the difference, why the great increase in the number?—A. Increase in population, increase in industrial activity possibly as well.

Mr. GRAYDON: And the war situation.

The WITNESS: Yes, the intensification of industrial effort; and I do not need to tell you gentlemen as well that under present conditions there is a definite tendency toward a higher wage grouping, that there are some advances taking place in wages due to increased activity; and that is having its effect on wages, of course; happily the cost of living has been maintained as successfully as it has so that we are not at the moment facing any spiraling condition or anything of that nature in respect to war wages. But there is a quite definite upward trend to wages with a large number of people moving into these higher wage brackets on munitions work, ship building, aircraft construction and other phases of industrial activity.

By Mr. Reid:

Q. My other question relates to the exempted classes and that affects a great many people in British Columbia who are not seasonal workers by any means. I refer, of course, to the loggers.—A. Quite so. I remember that coming up in 1935 discussions, but if I may I will leave that for Mr. Stangroom to deal with as he has been making a special study of that phase of the matter.

Mr. JACKMAN: I am still not quite sure about the jurisdiction in regard to labour offices as between the Dominion and the provinces. I understand that Mr. Brown said that when the change in the Act is made it will give exclusive jurisdiction to the Dominion.

The CHAIRMAN: Only to the extent of the offices which would be required to carry out the provisions of the Unemployment Insurance Act; any beyond that, Mr. Jackman, any which are not covered by the Act would still be open to the province if they felt it desirable to continue them. They could establish their own unemployment offices but the difference would be that the Dominion would not be making contributions to them as it is doing at the present time.

Mr. JACKMAN: It would seem too bad if both jurisdictions established labour exchanges at the cost of the public.

The CHAIRMAN: I think the explanation has been given. In connection with the National Employment Commission report I insisted at that time that they take it up with the provinces and the provinces were quite willing to allow the Dominion to assume that obligation.

Mr. JACKMAN: And you are quite willing that the Dominion labour exchanges should go into the exempted classifications.

The CHAIRMAN: I think we would have to.

The WITNESS: I have a letter here—I was looking for it—an exchange of correspondence with the Department of Justice on that point, the legal point, the constitutional point; as to where we stand in regard to matters of jurisdiction.

The CHAIRMAN: I think you gave something of it, Mr. Brown.

Mr. JACKMAN: It is a reasonable expectation, that the provincial labour exchanges will no longer exist in any form.

The CHAIRMAN: I think that would be so, because, you see, taking over the employment offices will be merely a matter of carrying out the provisions of the Unemployment Insurance Act. They should perform a useful function in assisting in reducing unemployment itself.

[Mr. Gerald H. Brown.]

Mr. MACINNIS: The insured person will not get his insurance provided there is a position or work available for him in employment that is not insured?

The CHAIRMAN: Yes.

Mr. MACINNIS: That makes it inevitable then that the employment insurance office shall be under the government as well as insurance, making both national.

Mr. JACKMAN: It would be interesting to know how many people are now engaged in the provincial labour exchanges so we could deduct that figure from the gross amount.

The CHAIRMAN: We can get that. Have you got it available, Mr. Brown?

The WITNESS: I had written to the Deputy Minister of Justice on the 11th of this month stating:—

Verbal discussions have occurred with Mr. Varcoe in respect of Part III of The Unemployment Insurance Act, 1940, a draft of which is enclosed herewith, respecting the authority of the Dominion Parliament to establish a national system of employment offices as a necessary complementary feature of unemployment insurance, and we have been assured that there is no doubt on this point. It is intended that the national system of employment offices will assist also in the placement of work-people in certain classes of employment not covered by employment insurance, and our understanding is that no legal difficulties will be involved on this score.

The question may arise, however, if any authority in these matters will continue to reside with the provinces, either as to the licensing of private employment offices or the establishment of municipal or provincial systems, particularly in fields of employment not covered by the federal statute, although you will observe that power is taken in the Act to extend unemployment insurance so as to cover the whole field of employment.

So that if we got the whole field then, of course, under the constitution, the employment aspect of things would be part of unemployment insurance.

It would be appreciated if you would furnish us with a statement in writing in respect of the points covered in both the first and second paragraphs of the present letter. I may add that it is expected that the Unemployment Insurance Bill will be introduced in parliament within the next few days and that a reply is therefore desired with as little delay as possible.

The answer is this:—

Parliament has authority to enact Part III of the bill to enact the Unemployment Insurance Act, 1940, such power being necessarily ancillary to the power to legislate in relation to unemployment insurance. The provinces, however, continue to have authority to legislate in relation to employment offices, licensing of private agencies, etc., but such provincial legislation would be invalid if repugnant to Dominion legislation.

The CHAIRMAN: In connection with Mr. Jackman's other question, Mr. Brown, have you got those figures of those presently employed in employment offices?

The WITNESS: I haven't them at hand, it would be quite easy to get them for you.

The CHAIRMAN: Thank you, Mr. Brown.

I think, perhaps, Mr. Heaps if you would be kind enough to give the benefit of some observations to the committee at the present time they would be most welcome.

Mr. A. A. HEAPS, called:

The WITNESS: Mr. Chairman and gentlemen, my purpose in speaking to you here this morning is to deal particularly with the cost of administration.

The CHAIRMAN: I wonder if you would kindly move over to where Mr. Brown was standing. It makes it a little easier for the committee to hear.

The WITNESS: I thought, Mr. Chairman, that I should confine my remarks here this morning pretty much to the question of administrative costs; and I do so because in recent weeks there have been so many statements made in reference to it that one is apt to become very confused and perhaps a wrong impression may get abroad, or has already gone abroad in reference to this question. In 1935 the former Prime Minister, the Rt. Hon. R. B. Bennett, in a statement to the House of Commons, which can be found on page 1016 of Hansard of that year, stated that the cost of administering the Act estimated for the first year would be \$7,000,000. A little later, March 7, the late Hon. Sir George Perley gave a more detailed statement to the house and said that the administrative estimate for costs for the succeeding year, or the first year of the operation of the Act, would be \$6,700,000 for a total of 1,600,000 insurable persons. That was in 1935; and his calculations were no doubt made on statistics that were obtained at the time and were two or three years old. Further than that I have no doubt they were based almost exclusively on the experience of the British Act. Since then we have had one important feature that has entered the situation which may to a considerable degree upset the calculations of 1935 and preceding. We have had five years of experience of what has transpired in regard to the Social Security Act in the United States, and as geographical and industrial conditions are so similar to our own here I think it would be perhaps fairer for us to accept their costs of administration as more approximate to our own than those of Great Britain; and even in so far as Great Britain is concerned there has been considerable change in administrative costs from the year 1933 until the present time. Now, those who have stated publicly percentage figures on costs I think have done an injustice to the committee and probably an injustice to themselves because I do not believe you can really give an intelligent opinion as to administration of an insurance scheme just on a bald percentage basis; and I will try to explain to you what I mean by that. If we take as our base figure, for instance 100, \$100 contributed by three contributing parties, and \$10 of that as administrative costs, that means 10 per cent would then be the figure for administrative costs and the scheme might be very efficiently administered on that basis. Supposing for some reason or other contributions had to be increased from the basis of 100 to 120, the cost of administration would not necessarily go up but the percentage of cost to total contributions would be about $8\frac{1}{2}$ per cent as against 10. On the other hand say for some reason or other contributions were decreased or diminished and went down from 100 to 80, the percentage of costs would increase from 10 to $12\frac{1}{2}$ per cent, while you have exactly the same efficient administration of your insurance scheme as you had on the 10 per cent basis. Therefore, I say, to try to base the cost of administration on a pure percentage basis without taking into consideration what is the method on which you are computing, is to my way of thinking not a very sound method. We have had a lot of different figures given to us in the last few weeks. These have included 10 per cent, 15 per cent and 20 per cent as the cost of administration, without taking the full circumstances into consideration.

We have gone into this question at length during recent weeks and have come to the conclusion that we would have to discard percentage cost on contributions and thought a more reliable method would be to obtain what would be a cost per head, or cost per insured person, as being the more reliable method of computing administrative costs. In going into the British scheme we found this rather interesting table of figures. I do not know that I should read them all. You could have the table put in the record if you like.

[Mr. A. A. Heaps.]

COST OF ADMINISTRATION UNEMPLOYMENT INSURANCE IN GREAT BRITAIN

	Administration cost	No. of persons insured	Cost per capita
1933..	£4,213,315	12,885,000	£ .327
1934..	3,755,564	12,960,000	.289
1935..	4,144,054	14,002,500	.296
1936..	4,609,391	14,285,000	.323
1937..	4,870,000	13,926,500	.349
1938..	5,874,592	14,839,500	.396
		Average	.334 or %

Although these figures show fluctuations for the six years referred to from 1933 to 1938 inclusive, the highest being for the last year, would indicate a cost of less than two dollars or eight shillings per head. An examination of the costs of administration in all of the states of the Union including the District of Columbia, Hawaii and Alaska shows an average cost per head per insured person of \$2.10.

I will give you an indication of what the figures denote, these being for the years 1933 and 1938 inclusive. In 1933 the average cost of insured person in Great Britain was .327 per pound. In 1938 that increased to .396 per pound. An average of the period referred to was .334. That would be six shillings eight pence to the pound; or approximately \$1.70 per head of insurable population of Great Britain throughout that period. Now, in 1935, when the estimate was given to the House of Commons on the basis of 1,600,000 persons insured with a cost of \$6,700,000 it worked out at \$4.18 per head. We have now come to a completely different conclusion as to that came to in 1935, for the simple reason that we have the more recent experience in Great Britain, and have also had the recent experience of the United States. I have before me a statistical statement which was prepared by Mr. Hodgson and Mr. Stangroom and which was taken from the official records of the United States publications.

By Mr. Reid:

Q. Does it make any difference in administration whether it is a tripartite agreement or only a two-way agreement?—A. In the United States you have factors which are altogether different from what they have in Great Britain and also different from what one expects to have in the Dominion of Canada. I have no doubt that in Great Britain under the tripartite agreement there may be reasons why it would cost a little more than it does in the United States. That is why I am saying that in certain respects we went into the figures of both the British costs and the costs in the United States. But you have these factors in the United States which you have not in Great Britain and which we do not expect to have here in the Dominion of Canada. In the United States you have fifty-one different unemployment insurance schemes as against one centralized scheme which we expect to have in the Dominion of Canada.

By Mr. Roebuck:

Q. Apparently you know more about the British scheme than you do about the American scheme; at least, I think you do. I was following Mr. Brown's statement of the American scheme and there seemed to be some mystification. Could you give us some idea of the American scheme?—A. I would be very happy, Mr. Chairman, to give you as good a picture as I can from memory when I get through with this question of administrative costs, and then perhaps I will not confuse one with the other. If that is satisfactory to you and to the committee I will be glad to do so.

I was saying in answer to the question by Mr. Reid that they have fifty-one different schemes in the United States. They have schemes in each of the States of the union and they have a separate scheme for the district of Columbia, a scheme for Hawaii and one for Alaska, making fifty-one different schemes. In addition to this, you have the central authority at Washington which keeps a kind of supervisory eye on the whole scheme in the various parts of the union.

By Mr. Graydon:

Q. But it is much more complicated than ours?—A. Having fifty-one schemes under one administration it is bound to be complicated, because there are no two schemes that are alike in the United States. In the United States we found on making a very careful calculation and weighting down the costs of administration for 27,980,000 insured persons as of June, 1939, their average administrative cost was \$2.10 per insured person. In calculating our costs,—

Q. What was the figure?—A. \$2.10 per person.

Q. Is that per head of population?—A. I said of insured persons.

By the Chairman:

Q. Employed insured persons?—A. Yes. In taking our own calculations into consideration and considering that we are more scattered than they are in the United States, also that we have perhaps more outlying districts than they have, and this being probably our first year, that if we were to allow approximately 20 per cent in addition to the United States costs of administration we would be arriving at a reasonably fair estimate of what the cost would be here in the Dominion of Canada.

By Mr. Graydon:

Q. How much?—A. About 20 per cent. And we say that if nothing unforeseen happens—although we are living in an unforeseen world at the present time—we figure that about \$2.50 per person of the insured population would be an approximate figure of what it should cost to administer the unemployment insurance bill in the Dominion of Canada.

As there are estimated to be 2,100,000 persons who would come under the bill in 1941, we multiplied that by \$2.50 and we arrived at a figure of \$5,250,000 as against the 1935 estimate of approximately eight and three quarter million dollars, for the 1941 insurable population.

We are not estimating on the percentage basis at all; we are allowing for costs on the basis of so much per person of the insured population. We think that is a far more reliable method of computing administrative costs than the method of percentage which may not mean anything at all.

Q. Does that not seem high in view of the fact that there is a much more complicated system in the United States as compared with the one that is proposed here?—A. But we have other factors that they have not in the United States, such as the one mentioned by Mr. Reid. Even this estimate is only 60 per cent of what the estimate was in 1935, and we would rather give what we consider is a reasonable estimate, because ours is computed on a somewhat different basis than is the measure in force in the United States. There you have only one collection agency. The federal government collects the money and hands it over to the various state authorities. Here the collection is done from two parties, that is, the employer and the employee. In that respect it might cost more here than it does in the United States.

By Mr. Roebuck:

Q. Is not the collection to be made by the employers?—A. Yes, but the cost of our system of collecting may be more than in the United States.

Q. There is some added cost because of the two collections?—A. Each one has got to be maintained separately for administrative purposes, and a card system will have to be maintained.

Q. Added bookkeeping?—A. It may be added bookkeeping. But we took that figure of \$2.50 as being a reasonable estimate, taking into consideration the more sparsely settled districts and the fact that we have to give a service to every section of the Dominion of Canada irrespective of where it may be so long as there are insured persons residing there.

[Mr. A. A. Heaps.]

By Mr. Reid:

Q. Have you given any thought to the question of whether that amount of \$2.50 might be progressive as the number increased?—A. You mean if there should be more than 2,100,000, whether it would go up or down? I do not think we could give an answer to that question now, because if you get industries in scattered and sparsely settled areas the cost of administration may be a little higher than in the more heavily settled districts.

Q. I was thinking perhaps you arrived at some definite sum and then took the 2,100,000 and based it upon that.—A. We based it on the 2,100,000 of insured population, and we are not allowing for any shift either above or below.

There is one other important factor which I think ought to be taken into consideration while we are discussing costs. As Mr. Brown explained to you it is proposed to set up a very comprehensive employment service throughout the Dominion of Canada. I think Mr. Jackman asked a question a few moments ago with respect to the number that were employed. I can only give you figures that were submitted to the House of Commons by Sir George Perley on the 7th day of March, 1935. He stated that the total number in the service of the dominion and provincial governments was 324.

The CHAIRMAN: We have increased the number of employment offices since that time.

The WITNESS: There may be an addition to these figures as from that date.

By Mr. Jackman:

Q. Does that figure of 324 represent the number of offices?—A. The number of employees. The number of district employment offices at that time was 75.

Q. There were only 324 people employed?—A. In those offices. As Mr. Brown stated to you it is anticipated when the administrative machinery for the existing bill is set up there will be approximately 90 full time offices and a very large number of part-time offices that will be brought into being to take care of the whole situation so far as unemployment insurance and employment services are concerned.

At the present time it is costing the federal and provincial governments over half a million dollars per year to administer the employment services in Canada.

By Mr. Reid:

Q. For those seventy-five offices?—A. Yes, for those offices. I think it is generally admitted that we are not getting a very good employment service at the present time across this dominion. We require a much better service than we have had in the past. The service coming under the Dominion government will be co-ordinated, as no doubt it will, under the central authority where there will be opportunity for a person registering in one part of the dominion, and know that he is taken care of in practically all sections of the country as the need may require. We are going to get a much more efficient type of administration of our employment services than we have had in the past, but one point I want to emphasize is the fact that under the unemployment insurance bill the whole of the cost of the administration of the employment service is part of the cost of unemployment insurance. While we are charging five and one-quarter million dollars for unemployment insurance administration, a fairly large part of that is to give an employment service to Canada which we have not got at the present time.

By Mr. Graydon:

Q. Have you the percentage of that?—A. At the present time the cost is over \$500,000.

The employment service might really in a sense be said to be federal in its scope and would have to be undertaken as a federal undertaking even if there were no unemployment insurance, and if about \$1,000,000 of the cost is to be saved under the proposed bill, this sum would still have to be spent even if there were no system of unemployment insurance. Very little consideration has been given this aspect of the question during the past few weeks when discussions have taken place respecting administrative costs.

In considering the 1935 administration costs, we found in connection with the staff that was proposed to be employed in the administrative offices one person for every 420 across this dominion. We found that this number was approximately the British figure. On examining the British figure subsequently we found that there is now employed in Britain one person to approximately every five hundred insured persons. In the United States there is one person employed to every 735 insured persons.

By Mr. Reid:

Q. In Great Britain under the Unemployment Insurance Act there, is the unemployment insurance conducted in the offices entirely for that purpose or is it linked in with health insurance and other types of insurance?—A. In 1935 I do believe that when these figures were submitted to the house there was at that time quite an overlapping of jurisdiction as between unemployment insurance and unemployment assistance. When the benefits to an insured person had become exhausted he was then given additional assistance under an unemployment assistance board. There was, I would say, some overlapping. That is one of the possible reasons why more persons were employed at that time in Great Britain, and, no doubt, when the figure was given at 420 it increased our prospective costs here in the Dominion of Canada.

By Hon. Mr. Mackenzie:

Q. Did not the Sirois commission and the Purvis Commission report that unemployment assistance was a necessary adjunct or corollary of unemployment insurance?—A. They did; they both, I think, reported along those lines.

We anticipate, in our cost of \$2.50 per head, to have about one person employed to something between the 500 in Great Britain and the 735 in the United States. We are trying to be as reasonably accurate as we possibly can in regard to the question of administrative costs, and if it would be of any advantage to the members of the committee, Mr. Chairman, I think this statistical table giving the costs in each of the fifty-one states where they have unemployment compensation, as it is called in the United States, might be of some value.

Mr. REID: Put it in the record.

The CHAIRMAN: Does the committee wish to have it incorporated in the record?

Mr. REID: Yes.

The CHAIRMAN: Very well, it will be incorporated in the record.

UNITED STATES, 1939

State	Advances certified for administration* fiscal year 1938-39	Size of firms included (minimum number of employees)	Estimated number covered June; 1939	Cost per person covered \$
Total...	\$58,758,359 53		27,980,000	2.100
Alabama...	666,949 41	8	325,000	2.052
Alaska...	39,570 69	8	23,000	1.720
Arizona...	281,821 45	3	78,000	3.613
Arkansas...	348,231 38	1	190,000	1.833
California...	3,825,839 41	4	1,700,000	2.25
Colorado...	393,245 09	8	200,000	1.966
Connecticut...	1,351,568 54	5	485,000	2.78
Delaware...	215,012 00	1	65,000	3.308
D.C...	462,948 03	1	180,000	2.57
Florida...	492,690 73	8	255,000	1.932
Georgia...	711,524 68	8	400,000	1.779
Hawaii...	136,089 67	1	119,000	1.144
Idaho...	247,110 68	1	110,000	2.246
Illinois...	1,352,459 46	8	1,620,000	.835
Indiana...	1,795,351 33	8	838,000	2.14
Iowa...	656,048 42	8	320,000	2.05
Kansas...	432,958 55	8	245,000	1.767
Kentucky...	638,975 79	4	380,000	1.681
Louisiana...	794,087 57	4	425,000	1.868
Maine...	475,044 72	8	190,000	2.50
Maryland...	945,602 83	4	475,000	1.990
Massachusetts...	3,374,055 97	4	1,450,000	2.327
Michigan...	3,413,052 15	8	1,300,000	2.625
Minnesota...	1,460,020 02	1	525,000	2.57
Mississippi...	353,158 29	8	150,000	2.354
Missouri...	1,311,155 05	8	650,000	2.018
Montana...	123,412 83	1	105,000	1.175
Nebraska...	334,592 63	8	145,000	2.309
Nevada...	154,835 57	1	30,000	5.161
New Hampshire...	342,556 79	4	125,000	2.740
New Jersey...	2,019,837 48	8	1,000,000	2.019
New Mexico...	194,148 19	4	70,000	2.773
New York...	9,244,432 14	4	4,000,000	2.31
North Carolina...	1,149,569 71	8	700,000	1.642
North Dakota...	153,699 22	8	42,000	3.659
Ohio...	2,353,062 80	3	1,720,000	1.368
Oklahoma...	614,572 77	8	324,000	1.897
Oregon...	654,517 57	4	225,000	2.909
Pennsylvania...	6,673,445 71	1	3,100,000	2.152
Rhode Island...	716,679 04	4	300,000	2.388
South Carolina...	476,875 59	8	292,000	1.633
South Dakota...	130,811 51	8	45,000	2.907
Tennessee...	875,870 14	8	450,000	1.946
Texas...	1,979,656 76	8	800,000	2.474
Utah...	301,754 97	4	90,000	3.353
Vermont...	210,505 08	8	70,000	3.007
Virginia...	846,039 18	8	450,000	1.880
Washington...	687,975 24	8	300,000	2.293
West Virginia...	1,091,024 67	8	350,000	3.117
Wisconsin...	1,089,422 33	6	500,000	2.179
Wyoming...	164,490 70	1	49,000	3.358

* Includes grants certified by the Social Security Board to states for employment service administration to meet requirements of unemployment compensation, but excludes grants by the U.S. Employment Service under the Wagner-Peyser Act and state and local appropriations to employment service.

The WITNESS: If there are no further questions to be asked as to administrative costs, I shall proceed to answer the questions that were asked previously by Mr. Roebuck. I am sure you will forgive me for any errors, as I am speaking from memory on this question, although I think I can be reasonably accurate.

When you compare our unemployment insurance bill now before us with the act that is in operation in the United States you will find there are many differences. In the first place the employee in the United States does not contribute at all to the insurance fund. There is a tax of three per cent on payrolls there out of which ten per cent is retained by the federal authorities and 2.7 per cent is handed over to the various states where unemployment compensation laws are in existence.

Mr. ROEBUCK: 2·7 per cent?

The WITNESS: Yes.

By Mr. Reid:

Q. Did you give some thought to the principle behind the United States system whereby in asking the employer to contribute at all they reckoned that the employer having that responsibility would take greater interest in employment and unemployment than if he was only a taxpayer?—A. That may be so, but there they thought the whole burden should be borne by industry, and it may be for other reasons too. They had to overcome constitutional difficulties over there in exactly the same way that we have had to overcome constitutional difficulties here, in regard to old age pensions as well as unemployment insurance. And this may probably have been the easiest way from a constitutional standpoint for the United States to make such a law effective.

By Mr. Graydon:

Q. Is that 2·7 per cent you mention given to the various states for administrative work?—A. No; it is given as a fund from which unemployment insurance is paid.

By the Chairman:

Q. There are other payments made from it such as health— —A. Very slight amounts, if any, are paid for health insurance. That 2·7 per cent is exclusively for unemployment insurance. There are other payments being made. I might just as well touch upon them now since you have asked the question, Mr. Chairman, and make a little comparative statement. In the United States, in addition to the employer having to pay the whole of the cost of unemployment compensation, he also has to pay for old age security, as it is called in the United States. At the present time the amount that is being paid in contribution is not very high; but it is on a sliding scale until 1948. After the year 1948 the employer will be contributing 3 per cent for old age security and the employee will be contributing a similar amount; in other words 6 per cent additional, that is, after 1948 a tax of 6 per cent goes on the payrolls of industry, and when you add that to the 3 per cent he is paying now it makes 9 per cent altogether on payrolls, of which the employer pays 6 per cent and the employee 3 per cent.

By Mr. Reid:

Q. For old age pensions?—A. For old age pensions and unemployment compensation. I was just going to remark how fortunate the employer ought to consider himself in Canada as compared with the United States. In this country industry is paying nothing directly for old age pensions. The employer is only being asked to pay now probably one-half for unemployment insurance of what the employer is paying in the United States.

By Hon. Mr. Mackenzie:

Q. With the exception that he pays taxes as well.—A. Well, everybody pays taxes, whether working man or employer. Let me show now what the employee gets in the United States and compare it with the conditions in Canada. I think it can safely be said that the existing proposals before us at the present time for unemployment insurance will give us in Canada a somewhat better bill or a better act when it comes into force than they have in the United States. I think our benefit payments generally speaking all round will be higher and the waiting period is shorter than what it is in the United States. And the waiting period is a very important point when a person happens to be unemployed.

[Mr. A. A. Heaps.]

By Mr. MacInnis:

Q. What is the waiting period in the United States?—A. The waiting period in the United States averages about fourteen days although it varies and we propose nine days in the present bill. I am thinking now of the amount they receive by way of benefits in the States. In most of the states of the union they receive 50 per cent of wages earned. I will give some idea as to what the wages are in the United States. I was rather surprised when going through the report of the Social Security Board in the United States to find out what the wages were in insurable employment. Over 38 per cent were receiving less than \$499 per year. Then slightly over 24 per cent were in receipt of less than \$999 per year. That is, over 24 per cent were receiving between \$499 and \$999 per year. Then, from \$1,000 to \$1,499 per year there was another 17 per cent of the insurable population receiving that figure, which meant that over 80 per cent of the insurable population of the States were receiving less than \$1,500 per year. That is, 63 per cent were in receipt of less than \$1,000 per year. If the employee in the United States on receipt of unemployment compensation could receive only one-half of the amount of his wages, it might give you some idea of what his compensation would be under the scheme that they have in operation in the United States.

It is quite true that many in the very low wage category to which I have just referred may not have come in the insurable classes because the wages were too low.

By Mr. Reid:

Q. What is the maximum in the United States?—A. The maximum in some of the states is \$15 per week.

Q. No, the maximum amount of wages.—A. That is the maximum they can receive under the employment compensation.

Q. I am referring to the maximum wages.

Hon. Mr. MACKENZIE: Corresponding to our \$2,000.

The WITNESS: \$3,000 per year. But in some states of the union some persons who are in the very low category of wages do not come in the insurable class at all; but in no case is the payment to exceed more than \$15 per week. Many of the states of the union have a minimum amount of compensation of \$5 per week.

By Mr. Graydon:

Q. Over what period would that compensation be paid?—A. The average period across the states would be approximately sixteen weeks in a year; but it is changing so rapidly in the states, they are amending their acts so rapidly in each of the states of the union that it is hardly possible to keep track of the changes as fast as they make them.

By Hon. Mr. Mackenzie:

Q. How does the scale of wages in Canada compare with the scale you have given in the United States?—A. It is pretty hard to give offhand a definite statement of categories but I was rather surprised myself when I found that 63 per cent of the insurable workers in the states who came under the Social Security Act were receiving less than \$1,000 per year. To make a fair comparison of the two countries we have to realize what the workers themselves in one country are paying compared with another. I have pointed out that the employer in the states is paying 6 per cent on his payroll for social security by 1949, and the employee 3 per cent.

By Mr. Graydon:

Q. In the case of the figures you gave indicating the number receiving less than \$1,000, would that include certain classes of workers such as agriculture workers and others in other industries?—A. It includes those who come within the scope of the insurance scheme, and I think agriculture is excluded in the states. I was going to say under our social security laws, if I may use that term here in Canada, no employer so far, or worker, has been asked to make any direct contribution; this is the first time in any of our federal laws that a contribution is being asked, and there are certain advantages which a person receives in this country, as compared with the United States.

By Mr. Reid:

Q. You are thinking now of the dominion only?—A. Yes.

By Mr. Roebuck:

Q. Before you leave the subject you have been on you were going to show what the employee gets out of the 6 per cent and the 3 per cent but you did not finish the sentence.—A. I will give the comparison, Mr. Roebuck.

Q. I want to know what he get out of that.—A. The employee?

Q. Yes.—A. What he receives are benefits under the Old Age Security Act, which is akin to our Old Age Pension Act, and he receives unemployed compensation in the United States. Now I have given you, Mr. Roebuck, the amounts of contributions so far as one can give.

Q. Is that all that is covered?—A. Then his dependants also receive certain allowances.

Mr. GRAYDON: No health insurance?

The WITNESS: Not as yet.

By Mr. MacInnis:

Q. What do you mean when you say his dependants receive certain allowances? Does a person receive unemployment compensation and then the dependants receive something besides that?—A. No; I am glad you asked that question. The allowances are under the Old Age Security Act. If a man has a wife and children there are certain allowances made, for his wife and children, and that might increase the amount of the benefits he receives as old age pension. Now, we are altogether different in this country. When we refer to old age pension there is no question of insurance involved. Everybody in this country receives it as a right at the age of seventy. Not only does the male in this country receive a pension but if his wife is seventy she automatically receives the same. We pay \$20 per month to the man and \$20 per month to his wife if she is over seventy. There is a monthly maximum of \$40. In the United States they have a maximum of \$80 per month depending almost exclusively on the amount paid in and the length of time that contributions have been paid to the old age security fund.

By Mr. Reid:

Q. He contributes?—A. Yes. Then there is this additional advantage they have. In the United States he receives old age pension at the age of sixty-five.

In this country, as I said a moment ago, the worker so far has not contributed anything in any dominion legislation—there may be in the provincial sphere—for social legislation. We have across the country mothers' or widows' pensions act which, I believe, costs the provinces approximately \$10,000,000 a year. Our Old Age Pension Act costs Canada, the dominion and provinces, over \$40,000,000 a year, allowing for administration, and there are now about 183,000 old people

[Mr. A. A. Heaps.]

in receipt of pensions. In the proposed bill before you a man will pay on the average 25 cents per week, which will amount to \$13 per year. This amount will go into the insurance fund. Compare the man in Canada with a man in a similar position in the United States, both earning, say, \$1,200 per year. The man in the States will be paying, after 1948, \$36 per year for what he receives, 3 per cent of wages. The employer will be paying 6 per cent.

He will receive his old age pension at sixty-five; and he will get unemployment compensation too if he at any time is entitled to it. In this country the employee will be paying \$13 per year, a difference of \$23 per year when you compare the two persons in relative positions in Canada and the United States. Now, if the employers in Canada and the employees in Canada were prepared to pay an additional \$23 per year on their payrolls, and if our payrolls are in the neighbourhood of two billion dollars per year—and I am not very far out when I state that figure—it would be \$120,000,000 a year that would be collected on the 6 per cent basis. If we deduct from that the amount that they are now paying, the employee and the employer for unemployment insurance as is proposed in this bill, and say we took off \$60,000,000 a year, which is a high estimate, it still would leave fully \$60,000,000 per year for an old age pension scheme in Canada, which I think would be an amount that would give pensions at the age of 65. I am just making that comparative statement so that when we discuss this question of benefits in the United States and benefits in Canada, we can get some reasonable comparison as between the two countries.

By Mr. Reid:

Q. You are using more reasonable arguments now. I am glad to hear you.—A. There is one other point.

Mr. GRAYDON: Time changes things.

The WITNESS: No. I always did advocate old age pensions at 65, and still feel that we should have pensions at that age.

One further point I wish to state that is the difference between our own bill and those in the United States, and it is a rather important feature which we cannot calculate from the basis of dollars and cents. In the United States, with all due respect to their form of administration, we know that they have what may be called a political administration right from top to bottom. This is not always conducive, either in one country or another, to the highest form of efficiency.

By Mr. Graydon:

Q. This is not going to be political, is it?—A. I am sure it will not. In the bill now before you, you have something which I do not think has ever been put into dominion legislation before. You are setting up in the bill—in your commission, in your advisory committee and in your employment services committee, and in all the committees throughout the country that are going to be set up under the bill—representation of both employer and employee. Practically the whole of the administration of this bill, when it becomes law, will be in the hands of representatives of employer and employee, who pay by far the larger proportion of the fund. That is something that is not to be found in the United States. I think because of that very fact, because you have employer and employee sitting in on the administration of this proposed act, we are going to get—and at least, I hope we will—a fairly sound and efficient administration all the way through. That is one difference between here and the United States that I think ought to be borne in mind when the question of administration is taken into consideration.

By Mr. Graydon:

Q. Have they no representatives of those two branches of industry in the United States?—A. I beg your pardon?

Q. In the United States, has labour no representation?—A. None at all, by law, except where they care to give it; and that, I believe, is not in very many cases. I think, Mr. Chairman, that would be about all I would care to say here this morning, if there are no further questions.

The CHAIRMAN: Thank you, Mr. Heaps. Are there any questions any member would like to ask?

By Mr. Graydon:

Q. Was any consideration given to health insurance in this?—A. The only consideration we gave was to leave out the portion that was in in 1935.

By Hon. Mr. Mackenzie:

Q. For what reason?—A. Because we found that, so far as that was concerned, it had no real significance from a practical standpoint. It just gave permission to the Unemployment Insurance Commission to collect information and data which could be ascertained in any case from other government departments.

Q. You have the same power in the Health Act at the present time?—A. Yes.

The CHAIRMAN: Gentlemen, I imagine Mr. Stangroom will have a reasonably lengthy statement, and it is now five minutes to one. Possibly the committee would care to rise now, and we could sit at 3.30—subject to the House, of course, approving of our report this afternoon. Is that agreeable?

Hon. Mr. MACKENZIE: May I ask if there are any present who want to be heard in regard to this measure after the departmental officials are through with their evidence?

The CHAIRMAN: I wonder if any representatives of organizations, or individuals, for that matter, would like to express themselves at this stage as wishing to be heard? There have been some notifications sent out to the Department of Labour, and I think Mr. Mackenzie has a list of them.

Hon. Mr. MACKENZIE: Yes.

The CHAIRMAN: If there are any who have not sent in to the Department of Labour a statement that they would wish to be heard, I wonder if they would be kind enough to notify the secretary of the committee. Incidentally, I have taken the liberty of suggesting a subcommittee which perhaps would make our procedure flow a little more freely, and arrange for the order of attendance of witnesses and those desiring to give evidence before us. That committee will be composed of Messrs. Mackenzie, Chevrier, MacInnis and Graydon, if the committee approves.

Mr. MACINNIS: Carried.

The CHAIRMAN: The secretary advises me that it is desirable to have this committee placed formally on the minutes.

Mr. REID: I move that.

The CHAIRMAN: It is moved by Mr. Reid and seconded by Mr. Pottier.

Mr. GRAYDON: Before we rise, perhaps some consideration might be given to more lengthy sittings in this case than we have had in previous committees. There are a number of people representing industry and labour, who are naturally busy people, wishing to be heard. Perhaps we might give them the convenience in the committee of earlier sittings than we usually have, if that would be the wish of the committee.

[Mr. A. A. Heaps.]

The CHAIRMAN: Would the committee approve of our meeting from 3.30 this afternoon until six, and then adjourning until 8 and sitting this evening up until such further time as may be agreed upon?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Would that meet with the committee's approval?

Mr. REID: So long as we are allowed reasonable time to attend to our correspondence, which we must have.

The CHAIRMAN: Oh, yes.

Mr. MACINNIS: Before we adjourn, may I say a word in regard to the motion passed asking the Senate to have representatives here? How official is that invitation? I think the purpose is that the Senate should be represented and have all the privileges that the members of the Commons committee have. If that is the intent, would it be in order to send an invitation to the Senate asking them to appoint representatives for this committee?

The CHAIRMAN: I thought, Mr. MacInnis, that we pretty well required to leave it to the Senate's determination as to whether they wished to appoint a committee. We have gone as far as we could reasonably go in inviting them. In what form they desire to accept that invitation I think is a matter for their determination.

Mr. MACINNIS: That is what I had in mind—as to whether the invitation is an official one of which the Senate could take cognizance. They should have something before them.

The CHAIRMAN: The invitation has gone to them in writing.

Mr. MACINNIS: Very well.

The CHAIRMAN: Then it is agreed that we adjourn until 3.30, gentlemen.

The committee adjourned at 12.55 p.m., to meet again at 3.30 p.m.

AFTERNOON SESSION

The committee resumed at 4.00 o'clock p.m.

The CHAIRMAN: I understand, gentlemen, that there is a quorum, so we might as well proceed. Before doing so it might facilitate the work of the committee somewhat if those who propose to make representations to the committee and who have not already so notified either the Department of Labour or this committee advises the secretary as soon as possible so that the committee in charge of making the steering arrangements will have the advantage of that information and can make their plans accordingly.

In the next place, I understand that some in the room have found that they were unable to hear some of the proceedings of this morning, so if you will raise your voices just a little it might be helpful.

I understand Mr. Jackman has a communication he would like to place before the committee.

Mr. JACKMAN: Perhaps it might be worth while to have this telegram on the record in view of the fact that it will come up later for discussion and

members might like to be able to give it their consideration in the meantime. This telegram is from Kimberley Mines, British Columbia, and reads as follows:

Whereas the Workmen's Cooperative Committee of the Sullivan Mine Kimberley, B.C. welcome introduction National Unemployment Insurance Act stop Respectfully suggest deletion two thousand maximum clause or raising to two thousand five hundred stop Three hundred Kimberley workers ruled out under clause due to extra time being worked on war production.

H. NICHOLSON,
Sullivan Mine Workers Cooperative Committee.

The CHAIRMAN: I think the arrangement when we adjourned was that we should hear from Mr. Stangroom. I might say for the benefit of the committee that Mr. Stangroom has had a great deal of experience in connection with various unemployment schemes and he has given a great deal of attention to the preparation of this Unemployment Insurance Act as well as other Acts. I think we will now hear from Mr. Stangroom.

D. STANGROOM called:

The WITNESS: Mr. Chairman and gentleman, I thought the first question that members of the committee might be interested in was the consideration which weighed with us in the adoption of the graded scheme rather than the flat rate scheme. As you know, the 1935 Act adopted the flat rate principle for contributions and benefits. This was based pretty much on the particular experience which grew up from the British Act of 1911; which, in turn, grew up from trade union experience. Since that time there has been a large body of experience in the United States. South Africa and Norway adopted graded schemes, and Germany and Italy also had a graded scheme. All these recent plans adopted benefits in proportion to earnings, and therefore in proportion to the normal standards of living of the workers. There is a fundamental problem arising in any scheme of unemployment insurance; can you compensate need, or can you only compensate for something that relates to the normal standard of living of your worker? A man with ten children may be earning \$10 a week and a man with no children may be earning \$50 a week. It seems that you cannot find any system of benefits that will relate closely to the needs of both these groups. What you can do is to relate the contributions and benefits to the normal standard of living of these people. In Great Britain the Ministry of Labour in 1931, speaking before the Gregory Commission, stated they had investigated the problem of changing their system to a graded system. The officials of the ministry said that they approved of it in principle, but because of the rather distressing condition of their fund at that time they thought it was unwise to make the change then. In private conversation with Sir Reginald Davison and Sir William Beveridge I understand they both favoured the graded scheme, and Mr. D. Christie Tait of the International Labour Office proposed the graded scheme for Canada. The question has been discussed with various experts from the United States, Dr. Bryce Stewart, and Mr. Douglas Brown of Princeton; and they are all in favour of the graded scheme rather than a flat scheme. It is claimed that the flat scheme is more simple in that you take one contribution and you pay one benefit; well, that is not quite the case. Under the 1935 Act there were eight classes of contributions and eight of benefits, with the addition of dependant benefits. These are just as difficult to administer, in fact it might be said more difficult to administer, than a scheme of contributions related directly to benefits. Any flat benefit must be fixed at the low earnings of any worker in any part of the country;

[Mr. Eric Stangroom.]

otherwise the benefits would exceed wages. If the benefit exceeds wages you get a tendency to malingering; men will prefer unemployment benefits to a job. Granted that under any ratio rule he would decrease his right by so doing; but, nevertheless, there would be many who might prefer the benefit where they could draw it. The problem of over insurance in Great Britain is still very serious, and it remains perhaps, the principal administrative difficulty. As the cost of living rose, and changed, they had to increase their contributions and benefits, to make their benefits total something reasonable under the circumstances; and with each change they have found that they immediately create in various parts of the country, in the low wage areas, over-insurance; that is, the benefit is more than the normal wage of the insured person. Some attempts have been made to apply a "ceiling" in Great Britain, but pressure from various groups has made it impossible. For instance, at present there is a bill before the British house which suggests an increase in contributions and benefits for the simple reason that the cost of living has increased. Since the war started in Britain it has risen some 25 points. During the last war they had the same experience. Benefits and contributions were adjusted several times during the war as the cost of living rose, so the real value of the benefits changed considerably. Weighting for cost of living, and the wage index, the ratio of benefits at the 1930 rate was eighteen and ten pence for a family of four, in 1914; and 47 shillings in 1919, and then later, in 1928, it went down to thirty-one and four pence. Thus, the flat rate has to be continually adjusted to the movements of the cost of living. If benefits are related to earnings, the average benefit would be higher than the flat rate, because the above-mentioned restrictions would be removed. You have no danger of over-insurance where you never pay the full amount of the earnings. Under the present bill the benefit grades from about 88 per cent of a man's earnings' in the low wage group to about 40 per cent in the high wage group. The low wage earner is favoured in that way.

By Mr. Roebuck:

Q. It is less than that, is it not, less than 40 per cent?—A. Taking it at the median wage, to be exact, it is 38 per cent.

By Mr. Reid:

Q. The changes in 1931 in Great Britain would have no relation to anything you have mentioned here so far, would they; was not that due to the demand made by the bankers in New York to Mr. Ramsay Macdonald that he would have to reduce the benefits?—A. Actually it was extended in 1931. When the great rearrangement came in 1934 they took away what is better known as the unemployment assistance feature of the scheme; they separated the system from insurance pure and simple.

Up until 1931, and because they had not extended their scheme properly during the war, and only under pressure after the war, the fund brought in uncovenanted benefits, and what they called extended benefits, where a man received benefit in advance of contribution. That started the heavy deficit in the fund when the extension was made in 1921. The coverage then was fairly small. It was extended to over 11,000,000. But the depression came so soon that none of those people were able to make the qualifying number of contributions; so the benefit was paid in the first instance in advance of contribution, and that created a situation which resulted in an enormous deficit in the fund. As that difficulty ate its way into the treasury they made further investigations; the Blanesburgh Committee in 1927, and the Gregory Commission in 1932. In 1934 they split "assistance" away from unemployment insurance so the unemployment insurance scheme would remain actuarially sound. As a matter of fact it has remained so sound that the debt which was antici-

pated would be paid off by 1970 has been almost completely paid off by now. You can have a high rate of benefit under a graded scheme because, as I said, you never exceed the normal wages of any particular beneficiary. A rate related to earnings cushions the shock of normal unemployment better than the flat rate since it is closely related to the standard of living. All workers have fixed obligations in the way of rent, perhaps time payments on a radio and so on, which a dollar a day benefit would not effectively meet; and generally speaking it might be said a person arranges his budget according to his normal expectation of earnings. Therefore, if you relate your benefits to those earnings, the shocks of unemployment is cushioned. A flat rate automatically reduces the worker to the minimum standards in the country. If you cannot pay a benefit that does not exceed the lowest wage earner's income in the country, then naturally that flat rate benefit must be extremely low. And therefore you reduce the high wage earner to a standard which has no value to him whatsoever. It also prevents a depletion of the higher wage earner's normal reserves. If a man is earning \$40 a week or \$35 a week and receives \$6 a week benefit, he has to draw on his own reserves to such an extent that when he is employed again he has no reserves left and you are forcing that man nearer and nearer to being a relief case. A rate based on earnings automatically adjusts earnings to various wage levels in each part of the country and to different occupations and age groups. The 1935 Act attempted indirectly to take cognizance of the different rates of earnings by relating it to age groups and sex groups. The average female wage is about 65 per cent of the average male wage. And therefore to prevent the dangers of over-insurance you have to pay them less benefits. But in different parts of the country or in particular occupations you can't say that all people between the ages of 18 and 21 would find \$4.80 of a benefit sufficient for their needs. A flat rate suitable for rural areas or during a period of low wages and wage levels may be entirely inadequate in large cities or in periods of high prices and wages, making a supplement from relief necessary. In Great Britain it is to be remembered that where because of low wages or fixed obligations benefit is insufficient, the person can also apply for Unemployment Assistance and in many cases that is done.

By Mr. Graydon:

Q. What is the nature of that unemployment assistance?—A. Unemployment assistance is to all intents and purposes relief for employables. Public Assistance, the old Poor Law, is still left in the hands of the local authority. Unemployment Assistance is supervised by a board and is available to those who are employable and have either exhausted their benefits or have exceptional needs.

A graded system of contribution is not regressive taxation. That is, you are taking a contribution which is not only related to the benefit, but a contribution which is definitely related to a man's earnings. The benefit is, as you will notice by the formula, a direct multiple of that amount of contribution. If he pays twice the amount of contribution, he gets exactly twice the benefits. In the case of a flat rate, where the 80 per cent limitation applied, the man would be paying the same rate of contribution and receiving less benefits.

The application of the 80 per cent limitation under the 1935 Act would naturally be very uneven throughout the different provinces. The 1935 Act said that a man could not receive in benefit more than 80 per cent of his normal earnings during the previous six months. In the first place, you would have to keep elaborate records as to what were his normal earnings during the previous six months.

In the United States the attempt has been made to relate it to 50 per cent of the man's full-time earnings. They have found that any attempt to relate

[Mr. Eric Stangroom.]

it to full-time earnings is very unreal because the problem of determining when a man is earning his full-time earnings becomes a very difficult question. The result is that most of the schemes in the United States are now moving towards a system not of a direct percentage but of a percentage within various categories.

We feel that the present bill is a still greater simplification. We do not need elaborate wage reports, in which the compliance is very poor in the United States; and the Bill automatically relates the contribution to the benefit.

By Mr. Graydon:

Q. Do they call that a flat rate in the United States?—A. No; a direct percentage rate. It is a direct percentage of the man's normal full-time earnings. The Social Security Board has reported that what constitutes a man's normal full-time earnings has never been settled in any State as yet. The result is they have been gradually adopting earnings within certain graded limits—fifty dollar intervals, or some such formula.

A graded scheme automatically takes care of the sex distinction in the 1935 Act. If it is the case that women on the average earn 65 per cent of the average male rate then naturally benefits under a flat scheme have to be adapted in that way. But if you relate benefits directly to contributions, which are related to earnings, then you automatically take care of that, and where a woman who does earn a high wage she is compensated according to her standard of living.

By Mr. Reid:

Q. Have you any numbers to show the ratio of women who would come under the Act, in view of the excepted classes you have here, which includes domestic servants, and so on?—A. About one in four would be the number of females under the present Bill.

By Mr. Graydon:

Q. One in four employed?—A. One in four; about 25 per cent of the insured population would be women. It has increased slightly in the last few years. It used to be less than that.

It has been claimed at various times in England that a flat benefit tends to set a minimum wage level. It is claimed that employers at various times have said that the flat benefit is the standard of subsistence. Naturally it is not the standard of subsistence in different parts of the country. The result is that it has caused a considerable amount of argument. There, again, the graded scheme removes any such danger.

In Great Britain, when they investigated the problem of extending unemployment insurance to agriculture, they found that the benefits were too high for agriculture and the contributions were too high a percentage of the man's normal earnings. The result is that they had to set up an entirely separate scheme of contributions and benefits.

By Hon. Mr. Mackenzie:

Q. When was that done?—A. In 1936. And the same would apply here under a flat rate system. Wages in agriculture and perhaps the rate of unemployment in agriculture are rather different from those in industry. If you had a flat rate of benefits your benefits would not apply to agriculture; you would have to set up separate schemes.

By Mr. Graydon:

Q. But you are not including agriculture, are you?—A. A graded scheme permits you, when you have set up your administrative machinery, to extend it to agriculture if you wish.

By Hon. Mr. Mackenzie:

Q. You can under this bill set up that scheme if it is so desired later on?—A. Section 86 A. permits you to set up special and supplementary schemes. 86 B. permits you to make adjustments of rates of contributions having regard to wages and salaries of such persons. So that you can extend the scheme, if you wish, downwards to the lower wage levels, and, if necessary, upwards if the general standard of wages increases. In the United States the limit is set at \$3,000. One gentleman mentioned a proposed extension to \$2,500. I think, if my memory serves me right, there is something like 5 per cent of the wage earners in Canada earning over \$2,000. So that the \$2,000 limit takes in most of your wage earners. When you go beyond \$2,000 you start to get into classes of people who are not under a contract of service, but under a contract of services—in more or less of a professional capacity.

The graded scheme, because it pays a higher rate of benefit, might be said to be more acceptable to the better educated and more vocal parts of the population.

It is a small advantage and yet, from the point of view of statistics, a very useful one, in that the graded scheme elicits statistics of wages which otherwise are very difficult to obtain. And you can study the incidence of unemployment within the various wage groups much better.

In Great Britain there are supplementary benefits through trade unions. There are very few supplementary schemes in Canada, so that even the flat rate system in Britain is supplemented in many cases.

By Mr. Reid:

Q. Had that any bearing on the British authorities in setting up the scheme?—A. In Britain the trade unions in some cases still administer their own unemployment insurance. Provided they pay the same amount of benefits and collect the contributions they are allowed to administer their own scheme. But that has been taken over from them gradually. They found that administration is not always sound. In some cases they are still paying a supplementary benefit.

By Mr. Graydon:

Q. Are there any private schemes of unemployment insurance in this country?—A. There are no private schemes of unemployment insurance in this country.

By Hon. Mr. Mackenzie:

Q. There are various types of group insurance?—A. Group insurance, pensions, superannuation and various savings plans.

By the Chairman:

Q. But they do not take care of casual unemployment?—A. They do not take care of casual unemployment, no. Investigation was made in the United States under the Vanderburg committee recently of various profit sharing schemes and related ancillary schemes, and it was nowhere suggested that these were substitutes for unemployment insurance.

By Mr. Graydon:

Q. I think there is one company that I have in mind in Canada where some form of profit-sharing scheme has been installed. Assuming that is the case, what would be the effect on that scheme by the introduction of this bill?—A. There are schemes in Canada along the lines of profit-sharing, but the difficulty with profit-sharing is that in times of depression when unemployment exists there is no profit to share. Even the Josslyn Company in the United

[Mr. Eric Stangroom.]

States, which was quoted as the perfect example of profit-sharing, contributes 20 per cent of its profits to the fund, yet during the depression they were not able to contribute anything at all, and the employee still paid 5 per cent of his wages into the fund.

By Mr. Hansell:

Q. Are there any concerns that you know of in Canada that have any sick benefit organizations?—A. There are several firms in Canada which have sick benefits of various sorts.

Q. When a man becomes sick he is unemployed; what effect would this have on such men?—A. He would still obtain sick benefits, but under unemployment insurance a man would not receive benefit if he were sick; he would not be available for or capable of work, which is one of the fundamental qualifications required under unemployment insurance. A man must be able to accept a job which is offered to him.

Q. That was not so in the old country, was it, with unemployment insurance?—A. No; you have a supplementary scheme of health insurance in Great Britain which covers that.

Q. It runs side by side with the other?—A. Yes, it runs side by side with the other.

By Mr. Graydon:

Q. If that is the case it means that a man who works twenty-five years for one industry and pays into this unemployment insurance fund, if he becomes incapacitated through age or infirmity, is unable to participate in the fund?—A. I would say that the number of men who work for one company for twenty-five years is very small.

Q. Put it lower than that, if you like; I used that figure as an example only.

Mr. HANSELL: Say ten years.

The WITNESS: Under the present bill, if he works five years and becomes unemployed, if he is still capable of work, he is entitled to one year's benefits, which is the maximum.

By Mr. Graydon:

Q. The test is his capability?—A. Availability and capability. The man must be attached to the labour market. If through age he is incapable of work, you might have to consider some other form of compensation for him.

Q. But there is no provision in this Act to cover that?—A. No.

By Mr. Reid:

Q. Was any study given to the question of reducing the payments of a man who has been employed for twenty, twenty-five or thirty years and has not been idle except through sickness?—A. Yes, that problem has been considered very carefully. I was going to leave that to Mr. Hodgson to deal with in detail.

Q. That will be satisfactory.—A. There is one point I might mention in that connection; that one should not attempt to look at unemployment insurance applying to an employment field as it stands when you enter the scheme. One should consider it from the point of view of ten years hence. When a boy leaving school starts to enter industry, it cannot be said that that boy knows whether he will have normal or steady employment.

Q. But you take a railway worker or a man in the transportation industry?

Mr. GRAYDON: He does not want it.

By Mr. Reid:

Q. Oh, yes. He will not be out of employment unless he falls sick.—A. Only if he has seniority.

Q. They all have seniority, but they are all looking for promotion.—A. Yes, but you would not say that the number of employees in the railway was the same in 1934 as it was in 1929. Those people certainly were on the employment market looking for jobs.

By Mr. Reid:

Q. A man who was working in 1934 and is employed to-day would not come under this?—A. Yes.

Q. And he may have ten or fifteen years to go on the railway?—A. Surely.

Q. And this man may be in a sheltered position?—A. It is just the same as with your fire insurance policy.

Q. Yes?—A. Exactly. There is one point you might care that I should enlarge on, and that is section 34 of the bill, the ratio rule. Some people might feel it looks a little complicated. The ratio rule permits an insured person to draw benefits in any benefit year—that is, at the time he begins to be unemployed—directly related to his employment history during the preceding five years, and his claims for unemployment benefit during the preceding three years. The purpose of extending this formula beyond the employment history of the benefit year is to make it possible to level out fluctuations that would otherwise occur in the period of benefit to which he would otherwise be entitled. The benefit, you will notice, in 34(a) is one day of benefit for every five days contribution paid by him in the preceding five years, less as in (b), one day for every three days benefit drawn in the preceding three years. For example, suppose a man worked thirty weeks during the first year that he was covered by unemployment insurance. He would be entitled at the end of that period, if unemployed and if he fulfilled the other statutory conditions, that is available for work and so on, to one-fifth of the period in insurance benefit; that is, six weeks. If he worked three weeks in the following year of his coverage and again became unemployed he would have accumulated sixty weekly contributions, one-fifth of which would be twelve weeks. But from this would be taken one-third of the number of benefits which he enjoyed the previous year, that is two weeks. Therefore the period of benefit to which he would be entitled the second year would be ten weeks. If he had the same employment experience of thirty weeks the third year the benefit paid would run to seventy-six days, and in the fourth year ninety-seven days. If over a period of years he was normally employed for thirty weeks he would be entitled to fifteen weeks' benefit; that is, half the time of his employment. At first glance it looks as if he is entitled to only one-fifth of the time, but actually he relies on employment experience which entitles him to one-half of his unemployment history in benefit duration; if he worked thirty weeks on the average over a period of years he would still receive fifteen weeks' benefit, as if he had worked thirty weeks exactly each year. Similarly if a man worked twenty-four weeks either exactly or on the average he would be entitled to twelve weeks' benefit, if he had built up five years employment history. If a man worked thirty-six weeks in a year he would accumulate more benefit rights than he would be able to use. Thirty-three weeks is about the balance.

By Mr. Reid:

Q. What would be the point at which?—A. That is the point at which he would always receive all the benefit he was entitled to; but if he worked over that he would build up more benefit rights than actually he would ever be able to use. A man fully employed for five years would be entitled to one year benefit, which is the maximum. This benefit formula at first glance sounds a little complicated but actually it is very simple and automatic and defines eligibility very easily, and protects the funds against bad risks. Various forms of this ratio rule have been proposed by experts and such British authorities as Sir Llewellyn Smith and Mr. G. Ince, who made the survey in Australia.

[Mr. Eric Stangroom.]

By relating the period of benefit available directly to the employment history many abuses are removed and advantages given to the worker with good employment records, because he does not lose benefit rights in each benefit year, but has the advantage of five years' employment history; and the workman is given an incentive to draw on his own reserve in short periods of unemployment. A man unemployed for a week may say, well, I anticipate the end of the year I will be laid off for a month, I will save my benefit until then. He thus keeps his benefit rights for more severe times. This formula is a simple solution to the question of seasonal unemployment and is more easily administered than most other formulae.

Mr. ROEBUCK: He cannot keep his eggs more than five years or they will go bad on him.

The WITNESS: You relate his benefits to his employment history for five years. If during that period he became ill you are permitted to extend that period. Where, for instance, he goes into some employment which is not insurable employment or if he went to prison, for instance, you can then extend it another two years, which makes actually seven years history.

By Mr. Graydon:

Q. Is a workman prejudiced by leaving an insurable type of employment to go into a non-insurable type?—A. I have mentioned that you can extend that period seven years if necessary. He can go into a non-insurable employment or he can withdraw from the employment market completely for two years, and he does not jeopardize his rights in any way.

By Mr. Roebuck:

Q. If he withdraws for two years and a day then his previous rights are gone?—A. No; he still has an employment history for five years back. He would then apply, for instance, his employment history to his contribution in the last three years. If you went beyond the five year period—

By Mr. Graydon:

Q. Is the cost of collecting these funds from the workers a cost that is borne by the employers in each case?—A. The cost of collecting?

Q. Yes.—A. I do not quite understand.

Q. The cost of bookkeeping and collections generally from the employee, taking it off his pay each week. That is a matter which might be considered a great amount of work. Is that taken out of the employer?—A. Where the employer finds that it is an expense I imagine the employer would have to bear it.

Q. Is any provision made to reimburse him?—A. No. But you will notice in the bill that it provides for collection by stamps or otherwise, and there are various systems of deposit. For instance, each employer might be able to simplify this stamping procedure, which might be considered in a case where he had a very large number of employees. If he was a small employer it would not pay him to do that.

By Mr. Hansell:

Q. In your opinion the scheme is then actuarially sound?—A. The chief actuary of the Insurance Department has certified to its soundness, based on an eleven-year average from 1921 to 1931 inclusive, and from such material as is available since then.

Q. Can you answer this question: in arriving at the actuarial soundness, did you consider to any extent the matter of the number of men employed and the number of unemployed through lay-offs and so on within a period of time,

say ten or fifteen or twenty years, or were your calculations based more on the number of workers entering into the scheme?—A. No; the actuarial calculations were based directly on the employment record during those periods. The 1931 census had full data of employment and the 1921 census somewhat slightly less. But there are various statistics available between those dates and also the census of manufacturing in 1934 to 1936 and the census of the prairie provinces.

Mr. ROEBUCK: The actuaries are going into that?

The WITNESS: Yes.

By Mr. Hansell:

Q. Did they go into the effect of say booms and depressions?—A. Yes, it was balanced. What was considered was a fairly representative period that had booms and depressions, 1921 to 1931.

By Mr. Graydon:

Q. That is not a very good period, is it, 1921 to 1931?—A. It was based on an average of $12\frac{1}{2}$ per cent unemployment. One feature of the ratio rule it should be remembered is that the percentage of unemployment will not greatly affect the stability of the fund. Where you have greater unemployment you also, because of your ratio rule, would be receiving less in contribution, and you would be paying less in benefit. It balances on both sides of the book. Whereas if you based it on the flat duration of benefits, no matter what a man's employment history was, an increase in the rate of unemployment would make your fund unstable. But if you relate your benefits directly to the man's employment history then even an increase in the percentage of unemployment does not upset the stability of the fund very much.

By Mr. Roebuck:

Q. May I ask this question, Mr. Chairman: What happens in the case of a man who normally because of the establishment of the weekly wage, would make more than \$2,000 a year but who gets laid off at the end of seven months, say, giving him a wage for that year of less than \$2,000?—A. His contributions are based on his wages while in employment.

Q. That is at the rate?—A. His rate of wages.

Q. So he would not be?—A. He would not be covered if his rate of wages exceed \$2,000 a year.

Q. Just before you complete that—I think you are through, are you not? You said that the maximum rate of benefits as compared with contributions in the lower rate was 88 per cent and the minimum rate was 40 per cent. Now, I was interested in those comparisons and I was checking the figures. I find the lower rate is 88.8 per cent. I have before me here a memorandum which you gave us and on page 2 there appears weekly benefit rates. The amount shown below the statement is \$38.50. That is the highest. A man receiving \$38.50 would get \$12.24 weekly, a single person.—A. That is a single person.

Q. I do not make it 40 per cent; I make it 31.8.—A. That is in category 7.

Q. Yes. I would think the percentage is from 88 per cent to something less than 32 per cent.—A. It is 32 per cent for the single person, the lowest rate in the highest category for the single person; the single person receives in each case 85 per cent of the amount a person receives who maintains a dependant.

Q. So that that is from 32 per cent?—A. From 32 per cent to 88.8 per cent.

[Mr. Eric Stangroom.]

By Mr. Hansell:

Q. Before you sit down I wonder if I may read this short paragraph from Hansard and ask you if you would comment on it and tell us if you agree with it? This was given on the 19th of July, just last Friday, on the discussion of the bill. Mr. Marshall was talking. He has read a good deal on this, and I think his judgment generally is good.

Hon. Mr. MACKENZIE: Louder, please.

By Mr. HANSELL: Q. He says this:—

In the short time remaining at my disposal I should like to refer briefly to what has taken place in Great Britain. An unemployment insurance scheme was inaugurated in that country in 1911, and in 1936 a survey was made by an economist who, I understand, is of some note. I refer to Mr. S. Burton-Heath. One fact which he brought out and which I should like to stress is that unemployment insurance of a conventional type functions when it is least needed and breaks down completely when it is needed most. Up to the end of October, 1932, the British government had put into the scheme, in addition to regular contributions by employers, employees and the government itself, the staggering total of \$910,000,000. The system was revised in 1932 by a committee set up for that purpose, and at that time the government was going behind at the rate of \$195,000,000 a year. This was cut at the time the survey was made in 1936 to \$130,000,000.

From 1911 to 1914 the scheme functioned fairly well; from 1914 to 1918, the war years, it prospered, but it ran into some snags after that. In the middle of 1919 there was a surplus of \$88,000,000. In the meantime the scheme was extended to take in other branches of industry which had not previously been included. Then came the aftermath of the war when the forces were demobilized and the country found itself faced with a serious situation. At that time there was appropriated \$304,000,000 to meet the emergency. By 1920 the fund had been exhausted completely and the government had pumped in an extra \$107,000,000. The scheme was extended further to take in domestic servants and agricultural labourers, and the number under the scheme rose from 4,200,000 to 11,500,000. Contributions were increased, and one government fell because it adopted a policy of increased assessments. Since 1920 the scheme has been adjusted; it has been amended, and it has been revised. To-day it is not called the Unemployment Insurance Act; it is called the Unemployment Act. Every year since 1922, with the exception of two years, the scheme has shown a deficit ranging from six million to two hundred million dollars. These are some facts which I hope the committee will weigh carefully when the bill comes before it.

We recognize, of course, that during the last war employment reached its capacity and that since the last war there has been a tremendous depression. It looks as though history might repeat itself along that line.—A. History would repeat itself if the actuarial and insurance principles of the scheme were permitted to break down as they were in England during that period. Up until 1918 the fund accumulated a surplus. During the war about five committees proposed an extension of the scheme, and in 1916 the scheme was extended to women and to munition workers. They attempted to extend it to all industries which were in any way related to the war effort, which could have been interpreted in an extremely wide manner. At that time, the people in those industries said that the capital replacements after the war and the general return of good times would make unemployment insurance unnecessary as far as they were concerned. In April, 1918, the Civic Workers Committee of the Ministry of Reconstruction

suggested an extension again, and it was suggested still again in November, 1918; but with the excitement of the armistice it was again omitted. There was a boom for a short time after the war, but as soon as the wage earners really saw that the depression was going to strike, they immediately demanded to be included in the scheme. In November and December, 1920, they were brought into the scheme and started contributing early in 1921. Within about three months of the extension unemployment in Great Britain had more than doubled, to something over two million people; so that none of those seven or eight million people who had been brought into the scheme had made enough contributions to be able to qualify for any benefits, and yet they were in the partially insured class. The result was that they demanded some form of benefits. The government of the time thought it would be a temporary measure and they made grants to the insurance fund to pay for the benefits which were to extend for six months only. The government had also made grants to workers who had been employed in war industries and who had not come under the insurance scheme immediately after the war. That also was supposed to run for six months. In actual fact the depression hit rather hard and it was politically impossible to prevent the extension of those grants. The result was that the actuarial basis of the scheme completely broke down and those people who would normally have been on relief, were being paid what they called extended and uncovenanted benefits under the proper insurance scheme. The result was that various committees were set up in 1927 and 1931 to investigate the problem, and in 1934 those people who would be normally on relief were split up from those in insurance; and since that time, since the scheme has returned to its actuarial basis, it has actually been able to pay off most of the debt that was accumulated, although it was anticipated that the debt would not be paid off until about 1970. It was unfortunate that the extension was not made during the war. Otherwise, these people would have paid enough contributions to be able to sustain the scheme on an actuarial basis.

By Hon. Mr. Mackenzie:

Q. If you put into the scheme any of the excepted employments, would that change the actuarial basis upon which this measure is built up?—A. You mean if you include any of the present excepted employments?

Q. Yes.—A. I do not think so. Not under the ratio rule. The difficulty of excluding some of the employments initially, under the scheme would be principally administrative problems. A person on a boat is not necessarily available to report at an employment exchange; his collections are a little bit more difficult to administer in the first instance; and certainly, until the administration is on its feet, it would be difficult to include some of those in the scheme; but it would not upset in any way the actuarial basis of the scheme.

By Mr. Reid:

Q. I wonder if I might be permitted to ask this question, Mr. Chairman. I was looking over the schedule of payments. Leaving out the boy or the youth class, in which class the employer pays eighteen cents and the youth, if I may call him such, nine cents, and starting from class two—

The CHAIRMAN: Just a minute. Just check up on that. Mr. Reid said the employer pays eighteen cents and the man that is employed pays nine.

Mr. REID: That is what I have here.

The WITNESS: That is category zero.

Mr. REID: That is what I have before me.

The CHAIRMAN: Yes; you are right.

By Mr. Reid:

Q. To continue, I may say that this is what is puzzling me and I should like you to answer just for my information.—A. Certainly.

[Mr. Eric Stangroom.]

Q. Looking over that, in the number two class, the employer pays twenty-one cents and the insured person twelve cents; as you will notice that is twelve plus nine which makes it twenty-one. There is a nine-cent spread, the difference between what the man pays in class two and what the employer pays. Then in class three there is a ten cent difference. Then in class four there is a seven cent difference. In class five, the man pays twenty-one cents and the employer pays four cents more, a reduction of five cents of difference as between that class and class two. Then in the class following that, class six, there is only a three cent difference between what the employer pays and what the insured pays. Then under class seven, it changes right off, and the employed person pays more than the employer, and so following up with class eight. I am just wondering why that is. You are basing all your payments to the man on what he pays, because I notice that in the clause following you state, "It will be noted that forty-times the weekly contribution of the employed person gives his weekly rate of benefit." I am just wondering how you, from an actuarial point of view, worked it out as to all these differences. I would have thought that, progressively, the employer would have paid as much going up—in fact, might have paid more. I am not advocating that he should at the moment, but I am just asking for information.—A. In total it means that the employer pays as much; because of the number in each of these classes, the employer pays in total the same as the employee in total.

Q. I did not have that answer before me but it just puzzled me.—A. I was going to leave it to Mr. Hodgson to deal with the schedules in detail.

The CHAIRMAN: Are there any further questions? Are you finished, Mr. Stangroom, with what you have to say?

The WITNESS: Yes.

The CHAIRMAN: Are there any further questions?

Mr. HANSELL: Mr. Chairman, before the gentleman sits down, may I ask if we will have any representation from any manufacturers or any industrial organizations?

The CHAIRMAN: What was that Mr. Hansell?

Mr. HANSELL: I was asking, Mr. Chairman, before the gentleman sits down, whether we will have any representation from manufacturers or industrial organizations that do not agree with the bill?

The CHAIRMAN: I do not know what their attitude on the bill will be, but we have received information that some of the employers and some of the representatives of labour will present their views on it. I would not want to anticipate what those views will be.

Mr. HANSELL: Quite so. There are some questions I should like to ask, but I do not think they are quite within the purview of the witness.

The CHAIRMAN: Go right ahead if you have any questions you wish to ask.

By Mr. Hansell:

Q. I was wondering if in arriving at the soundness of the bill or the soundness of the scheme, you had considered very much any increases in, shall we say, the cost of goods to the public. I know that is not within the bill itself. What I am getting at is this. I support the bill, and the group that I represent support the principle of the bill as having some admirable features about it within the ambit or within the scope of the bill itself. But we do feel that if the labour organizations or those who are interested in employment or unemployment think that this is going to solve all the problems confronting labour, they are going to be sadly mistaken. Our position, perhaps as you already know, is that you can get out of the scheme only what is put into it.

Manufacturers, in order to make up their contributions will have, of necessity perhaps, to raise their prices. Governments will have to get the money from somewhere; and where prices of goods are raised and taxation is raised, it may be discovered that the taxpayers generally do not benefit by the scheme that all are contributing to. Perhaps the manufacturers would be better able to give us some light on that than you would, Mr. Stangroom, so you do not have to answer that unless you want to. But I wondered if you had thought of that at all.—A. It has been considered in this case that if the price of goods rises it might be anticipated that wages might rise slightly, but not, perhaps, quite as quickly, but they would rise to meet that increase to some extent and, therefore, these people within those wage classes would be paying more contribution and receiving more benefit. The attempt would be, therefore, to allow it to adjust itself automatically to the standard of living of the worker at the time. We feel that you cannot extend unemployment insurance beyond the existing standard of living of the worker. You might say that a \$20 benefit will not sustain a man with a very large family; yet if a man is working at \$15 a week you cannot pay him \$20 a week benefit.

Q. I am not discussing that part of it at all. Of course, I do not agree with you that a manufacturer has to raise the price of goods in order to meet the outlay that he is putting into this scheme.

The CHAIRMAN: Would you speak a little louder, please?

Mr. HANSELL: I am sorry. Perhaps what I am referring to is not very important at this stage of the committee's work.

The WITNESS: I was merely saying that you can only relate the benefits under an unemployment insurance scheme to the wages of the man; the price of goods or the value of those wages in products, you cannot relate an insurance benefit to those in any way.

By Mr. Hansell:

Q. I was not interested in that particular phase of it.—A. If you tax industry, industry if it still wishes to make a profit will endeavour to pass the cost on to the consumer—

Q. Exactly.—A. —and if in turn the wage earner demands an increase of wages because of that cost then he contributes more and gets more benefit.

Q. As soon as his increase in wages goes up the price of goods go up too?—A. That would depend upon the proportion of the cost of labour in the product; that would vary in each industry.

Hon. Mr. MACKENZIE: If, for the sake of argument, you take out of the scheme certain of the good industries without risk and put into the scheme certain heavy industry, that would affect the financial condition of the fund, would it not?

The WITNESS: Yes, you might claim that there are certain industries that would be fortunate enough to have very little unemployment.

By Mr. Reid:

Q. Under the Act as it is at present, does the employer of one, two, three, four or five employees come under the bill or the Act?—A. Under the American scheme you limit in each state the people who come under the Act by the number of employees in the company; it averages employers of about eight in most of the states, and four in some others, and in two states down to one employee; but under this scheme any person who is under a contract of service is covered whether he is the only employee or not.

[Mr. Eric Stangroom.]

By Mr. Roebuck:

Q. Does that cover the enlisted force?—A. Not at the moment.

Q. Why not, they are employees?—A. I do not know whether they can be considered employees in the ordinary sense; they are specifically excluded under the bill at the moment.

Q. Why are not the men that are being enlisted wage earners just like everybody else? True, it is a small wage but it is a wage.

Mr. MACINNIS: They are not covered by the Workmen's Compensation Act.

Mr. ROEBUCK: Perhaps that is why they should be here.

The WITNESS: There are several questions that arise as an administrative problem, and there is the contribution problem. You might upset the actuarial soundness of the scheme. You do not know how long they will be in the force and you do not know whether they are willing to contribute to the scheme, and perhaps the government might not be in a position to state what their anticipated contribution might have to be. Principally the question of administration would be important.

By Hon. Mr. Mackenzie:

Q. It could be considered as a separate scheme.—A. 86 (a) permits you to include them under the present bill as a supplementary scheme.

Mr. ROEBUCK: Perhaps that could be considered later. I do not see why they should not be included. There may be difficulties. You say you do not know whether they would consent to contribute, but you do not know whether these other people will consent; but they are going to have to contribute whether they like it or not in industry generally if the Act is adopted. These enlisted men will be out of employment perhaps shortly, perhaps many years from now; nobody knows. Has the matter been considered?

The WITNESS: Yes, the matter has been considered; but it has been left aside at the moment until the administrative machinery is set up or, perhaps, examination could be made further on such a point. I think on the present basis it would upset the actuarial basis of the scheme.

The CHAIRMAN: Have you any further questions, gentlemen, to ask of this witness? If not, I thank you very much Mr. Stangroom for your statement. Now, we will hear from Mr. Hodgson.

J. S. HODGSON, Department of Labour, called. .

The WITNESS: Mr. Chairman and gentlemen, there are three or four questions I propose to discuss if time permits and if the committee is interested. First, there is the question of merit rating and experience rating which I shall come to in due course. Then there is the specific scheme which has been proposed for Canada and which has been entitled "War Savings Unemployment Reserve Certificate Plan"; thirdly, there is the question of insurance by industry as opposed to a pooled scheme such as the one we are proposing at the moment; then a number of smaller questions arise out of schedule 2 and 3 of the present bill including a number of points which Mr. Stangroom has bequeathed to myself.

In presenting the first of these questions—the question of merit rating—I shall quote quite widely from the pundits, as I feel their rounded sentences might be rather more cogent than my spontaneous efforts.

Merit rating in principle seeks to differentiate the rate of contributions paid generally by employers in consideration of their payroll record. An employer who has a small labour turnover and whose employees are, therefore, secure is, under a system of merit rating, entitled to pay the lower rate of contribution and, conversely, if the employer is not maintaining a stable firm and has at

one time a great number of persons employed and at another time fewer employees (then employment conditions are not stable in that firm), why then he is expected, under a merit rating or experience rating system, to pay a higher rate of contribution. Merit rating is as old as unemployment insurance itself, being first proposed, I believe, by Mr. Justice Brandeis, of Boston, Massachusetts, in 1911, the year in which unemployment insurance was introduced in Great Britain. It has been discussed fairly fully in the intervening period and it was not until 1935 when the United States passed its Social Security Act that merit rating began to come within the field of practical questions; and, of course, there are many people who at the present time do not consider merit rating itself to be a practical question at all, but I shall come to that anon.

Merit rating takes many forms, but it is my belief that all forms are similar on the whole in principle. It is seldom used in what we call a tripartite system, a system in which the employer, the employee and the state contribute. It is more generally found, as in the United States, where the employer foots the whole bill.

The chief advantages claimed by the exponents of merit rating—and I might foreshadow the fact that my purpose at present is largely a counterblast to those—that is to say I shall seek to examine the advantages which the exponents claim and the disadvantages which the critics believe to exist, and I shall leave the final decision to the committee—the chief advantages claimed by the exponents of merit rating are, first, that it will provide employers with the incentive to stabilize employment conditions in the firm which they are operating; secondly, that merit rating will make for a more precise distribution of the social costs of unemployment—I will enlarge upon that point later; third, that it will aid in preventing abuses of the unemployment insurance programme by either workers or employers; fourth, that it will provide for an equitable distribution of the employer contribution; fifth—and this is akin to the first point—that it will promote security on the job; and finally that the accumulation of an unnecessarily large fund will be prevented by a system of merit rating.

Now, coming to those against merit rating. In brief, the chief disadvantages which have been pointed out are, first, that employers have little control over conditions outside of their plants. It is suggested that conditions outside of individual plants are in reality the conditions which are chiefly responsible for unemployment. Arising from that is the conclusion that attempts to stabilize by employers by reason of this merit rating provision would be likely to have a small effect. The second point is that it is very difficult—some persons believe it is impossible—to devise a satisfactory formula for working out the rates the employers should pay under such a system. Third, it is believed that merit rating has the tendency to endanger the solvency of any fund simply because it cuts down the reserves which are accumulated, and when bad times come and large sums are drawn in benefits that the fund is not sufficiently resilient to maintain itself. Fourth, it has been suggested that administrative costs are seriously increased by merit rating provisions, in the sense that if firm computations must be made of the payroll record relating to the number of persons employed, the proportion of those persons that have been fully employed, the proportion that have been laid off, and then from there relate the whole question to an average employer contribution rate, and finally arrive somewhere at the just contribution rate for a particular employer.

By Mr. Roebuck:

Q. Haven't you got a merit rating here in your five year term? The merit does not go past five years, and if a man is employed for five years steadily he gets a very much longer contribution than if he jumps from job to job.—A. Well, sir, the five year provision in our proposed Act is, of course, an

[Mr. Eric Stangroom.]

administrative convenience. One could as easily relate to two years,—in fact, it would be much easier,—two years or three years; or any other period. But it was felt that a five year period would on the whole give a fair cross-section of a man's working career. One could make it a ten year period, in which case the administrative difficulty would be considerably increased. It would mean keeping ten year records for every single insured person throughout the country. I think that you will agree with me that that might become rather cumbersome. At the same time would you assert that persons with suitable records as individual workmen were entitled to more benefit?

Q. So that there is a merit rating to that extent?—A. With respect to employees that might be to an extent considered a merit rating, but only to a strictly limited extent. It is merit rating only to the extent that it is different from relief. We must relate the benefit to the duration of employment. You may draw an analogy with merit rating but properly considered merit rating is a different question. I do not believe that they are really comparable.

By Mr. Graydon:

Q. Is merit rating a part of any established scheme in other countries?—A. Merit rating occurs in a number of states in the United States. Wisconsin is the best known instance. Later on in my presentation I will offer figures in an attempt to interpret what the actual experience has been in those states; primarily in Wisconsin, and also in Texas, in the Texas oil industry; and I think they will operate to clarify some of the points which I am just for the moment outlining.

If I may go on, the fifth disadvantage to merit rating which has been suggested is that in times of prosperity under merit rating employment may be expected on the whole to be stable and rates of contribution fall because the employer has a preferential rate. Conversely in a time of depression when employment is not so stable the employer is penalized and he must pay the higher rate. Thus, in the fat years one does not raise the fund for the lean years, as I indicated before, but in the lean years one is paying more contribution just at a time when one can least afford it. That is another argument which has been used against merit rating or experience rating. There are just four other principal arguments before I go into greater detail. The sixth, that employers least able to stand the increase in costs will in most cases fall in the group with the highest rates; that the most unstable employer contributes the highest rates. Seventh, that many employers would benefit through purely fortuitous circumstances; and that again is associated with the argument which has been outlined. Eighth, that no incentive is offered employers to increase the bulk of their employment but only to stabilize their business; the inference being presumably that employers would take on employees only when they are reasonably sure that they will not have to discharge them. It is suggested by those who urge this argument that the benefit of merit rating is inoperative, increases the bulk of unemployment while stabilizing the individual firm, if that is in reality possible. And ninth, that it is impossible to place responsibility for unemployment on an individual; in most cases upon a specific employer.

Now, to enlarge on the criticisms. I believe that there are others—if anyone wishes to dispute any of these enlargements I make, I should be delighted to defend myself in so far as I may be capable.

Coming to the first of the questions, the stabilizing of employment, I would like to quote from the majority report of the New York State Advisory Council published on March 1, 1940. The report states as follows:—

The causes of unemployment are beyond the power of any single employer or even an entire industry to control. There is no point in laboring the obvious, nor is it necessary once more to point out that the

losses which an employer sustains because of the irregular operations of his plant exceed by a wide margin the fullest contribution that could be asked of him for unemployment insurance. Thus, every employer has these many years already had a financial incentive to stabilize, greater than any savings that can be promised him under any system of experience rating. That fact that industry has not stabilized is the most convincing proof that it cannot stabilize.

Now, I might observe here, that since that time (March, 1940) it is a fact that war contracts have come in and there is less unemployment in bulk and in duration. These quotations, however, relate to the United States; and at the time that this criticism was written the criticism was referring specifically to merit rating and not to the effect of extraneous circumstances like war-demand upon stability of employment. If employment is more stable now, that is no reason for concluding that it is more stable by virtue of the fact that a few of the states in the United States have merit rating provisions.

Coming to Canada: Professor Leonard C. March has expressed an opinion on this very point. He says:—

The Wisconsin type of plan implies a greater belief in the power of individual businesses to deal with the unemployment problem than seems to me to be justified.

Coming to specified forms of unemployment I would like to quote something from Dr. Paul H. Douglas, who has written with regard to one specific kind of unemployment, seasonal unemployment. He says:—

Seasonal unemployment is primarily caused by great variations in the climate and by changes in fashion. It is not caused by the employers and their power of reducing it is commonly greatly exaggerated. What for example can a manufacturer of women's clothing do to bridge the slack season and keep his workers employed? He cannot produce to stock in anticipation of what the demand will be because by the time the garments are ready to be sold the style will in all probability have altered and the goods will be more or less left on his hands. And what is true of women's clothing tends also to be true of women's shoes and to a somewhat less degree of men's clothing and shoes as well. In commodities like these which are almost as perishable as green groceries the programme of budgeted production at an even weekly rate with a storing of the surplus produced in slack seasons over sales is virtually impossible. And it is worthy of note that most of the industries which show high seasonal fluctuations tend to be (1) consumers goods which are subject to great style changes, such as automobiles, millinery, etc., (2) commodities whose demand is greatly affected by the weather such as agricultural implements, confectionery, stoves, etc., or (3) goods, the raw material for which comes on the market in great waves such as vegetables, sugar and tobacco.

It should be remembered I think that there are at all times incentives to stabilize quite apart from the incentive that might or might not be provided by merit rating. For example, there is the desire to keep an experienced crew of workmen, where there is a certain amount of skill needed on the job. It seems fairly reasonable to assume that an employer would prefer to keep on a man who has been doing good work. Secondly, the question of overhead costs and fitness of the personnel employed. In the third place, the large costs of irregular employment from the social point of view. And, fourth, akin to that, an interest in the welfare of employees.

There are many ways apart from merit rating of securing stability in so far as that is possible by the individual employer. For example, advertising; price concessions; training to secure flexibility of personnel so that when one

[Mr. Eric Stangroom.]

job expires for the moment he is qualified to move to another job within the same plant; planning and scheduling of production; standardization of products; production for stock in the off-season; using production employees for repairs, and a number of other possible methods.

Mr. H. H. Wolfenden, one of our outstanding Canadian actuaries, has written in his book "Unemployment Funds" as follows:—

With respect to the "incentive" argument, the suggestion that the two per cent and one per cent contributions will prove to a more powerful inducement to employers to operate regularly than the incentives which now exist seems to be, in the words of one prominent critic, "radically defective." It assumes that an employer can control the forces which themselves control the demand for his product; but it indicates nothing of the manner in which this tremendous problem can be solved, and it ignores almost completely the fact that the present depression has been caused by an almost general breakdown in the normally smooth workings of international finance and trade, aggravated in many cases by undue trade restrictions and artificial monetary policies.

By Mr. Hansell:

Q. Who is Mr. Wolfenden?—A. Mr. Wolfenden is one of Canada's most prominent actuaries. He is at present in Toronto, I believe. He has written a number of books on employment insurance. He presented an actuarial report on the 1935 Act. His most recent work on unemployment insurance is "The real meaning of social insurance." The work which I am quoting was prior in date to that.

Cyclical employment, then, and the normal part of seasonal unemployment as well as much of the unemployment resulting from changes in fashion, consumption habits, shifting of markets, exhaustion of natural resources, technological change, and so on, I think, may properly be classed as types of unemployment which the employer has a very limited power to control.

Many of the industries which would benefit from experience rating provisions, such as banking, public utilities, chain grocery stores, perhaps, and drug stores—these establishments are inherently stable, and their stabilized employment is not the result of any action on the employer's part. On the other hand, building trades, the automobile industry, perhaps, and others which have a definite season, would be having to pay higher rates of contributions simply because of the necessary characteristics of the market for which they produce.

On this particular question I have here a quotation from Mr. D. Christie Tait of the International Labour Office. Mr. Tait's report asserts that firms or industries which suffer from greater fluctuations in employment through no fault of their own—cyclical fluctuations, for example,—will have to pay higher contributions which may prove a very serious burden on them indeed.

The majority report of the New York Advisory Council is in the same vein, but I will not trouble the committee with a further quotation on that point.

It may with some justice be claimed that merit rating operates in practice to the disadvantage of the small employer.

An investigation was made into the Texas Oil industry, and Mr. Orville S. Carpenter, who is the executive director of the Texas Unemployment Insurance Commission, found—and he by the way is an exponent of merit rating—that, on the one hand, fifty-one per cent of the firms employing less than eight employees would pay four per cent contribution. That is the maximum rate. On the other hand, firms employing over fifty-one—that is the larger firms—would pay less than ten per cent of the total cost. They would be paying preferential rates for the most part. One can explain that, I think, quite logically, by the fact that mushroom firms which spring up are, as a general rule, small numerically.

In Wisconsin there were, when the last report was made two months ago, four hundred accounts which were overdrawn. (These were employer accounts.) Most of these accounts were accounts of small firms. The large firms were inherently more stable. They were given a preferential rate.

Proceeding to another one of the arguments with which I dealt in brief at the beginning of my presentation, under merit rating lower rates will be paid during good times and smaller reserves will be accumulated. Here I should like to read from the majority report of the New York State Advisory Council. This report was published on March 1, 1940, and reads:—

The proponents of experience rating face a dilemma. If the system is to operate as an incentive to stabilization, there must be the possibility of a substantial saving through a marked reduction in rates, certainly not less than 2 per cent. Some of its staunchest advocates have gone as far as to say that no real stimulus will be furnished unless the savings can run as high as 4 per cent. But if so large a reduction is to be made, then the money that will thereby be lost to the Unemployment Insurance fund must be made up by corresponding increases elsewhere; to do otherwise would endanger the solvency of the fund.

There is a tremendous bulk of material here; it would be possible to go on quoting almost indefinitely, but I doubt whether that would be desirable.

By Mr. Roebuck:

Q. It is not proposed, is it, that we adopt the merit rating system?—A. It has been suggested, sir. In some of the public statements on unemployment insurance the question of merit rating has had an important place. The American experience has also directed attention to the question.

The CHAIRMAN: It is an important point, I think, Mr. Hodgson, and if the committee agrees, while we are on it, I think we might as well deal with it.

By Mr. Pottier:

Q. What is the British view?—A. I can give you some citations from some of the British authorities.

Q. Have they had any experience in that regard?—A. It was suggested when the unemployment scheme was first set up in Great Britain. It was left out in the first instance partly because of administrative difficulties which were contemplated, and there has never been any great pressure to have merit rating re-introduced. The members of the Unemployment Insurance Statutory Committee, of which Sir William Beveridge is the chairman, are opposed to merit rating in principle. They do not consider it properly workable in practice. Similarly, the Social Security Board, which is the central body which exercises a "supervisory eye," as Mr. Heaps said this morning, over the fifty-one American schemes, is equally opposed to merit rating.

By Mr. Graydon:

Q. How many States of the American union have the merit rating system?—A. I do not know whether it would be possible to give the exact number.

Q. Perhaps you could give us an estimate as to the percentage?—A. I would say, speaking generally, that there is a minority, perhaps not more than half a dozen. A number of States had intended to put in merit rating but when they found the trouble that was experienced in Wisconsin and in some of these other States, they decided to defer the implementation of their provisions until such time as further study could be given. One of the cases in point is the state of New York. There when they first introduced their bill they had a permissive section providing for the introduction of merit rating, but they have

[Mr. Eric Stangroom.]

never quite managed to get around to it; and this last report which I have been quoting to you was a divided report, the majority opposing merit rating and a small minority of two, I believe, supporting merit rating. But the final decision of the Council was to defer merit rating again for the time being. The Royal Commission on Dominion-Provincial Relations investigated this question in brief and they came to a conclusion which might be interesting. They believed in general that merit rating is a "counsel of perfection." I think one might be justified in treating the words "counsel of perfection" as being synonymous with panacea.

Mr. MACINNIS: Mr. Chairman, as to whether we should have an exhaustive review of the different systems will depend largely on whether we are going to have arguments put before us in favour of the merit system. If we are not going to have such arguments and as the merit system is not in the present act I do not know that it is worth while to go ahead with it. If we are to have arguments put before us it might be all right to hear it now.

The CHAIRMAN: I do not think anyone can assure us that we are going to have that proposal submitted. It has been submitted partly, and it is possible to arrange for Mr. Hodgson to give us a pretty fair outline, and if arguments are put before us in favour of it then we can recall him.

The WITNESS: If the committee approves of that I will just speak for a few moments—

Mr. JACKMAN: Are we going to continue with an examination of the merit system?

The CHAIRMAN: We are going to more or less bring it to a conclusion, Mr. Jackman, and then recall Mr. Hodgson if representations are made to us that have any bearing on it.

Mr. REID: Do I understand that these three gentlemen will be in attendance?

The CHAIRMAN: Yes, they will be available

Mr. JACKMAN: It is quite possible that the majority of this committee might be in favour of such a plan. I think if it does not take too much time it will be well to at least educate ourselves on other alternatives that will no doubt be discussed.

Mr. MACINNIS: I am in favour of the education; you might go on.

Mr. JACKMAN: These gentlemen do not regard unemployment as a social problem but as a result of the working of our economic system. It is regarded as something with which the individual employee or the individual employer has something to do. It gets away from the broad concept of unemployment being somewhat social rather than individual. Is not that it?

The WITNESS: That is the point. That is one of the major points of the whole case.

The CHAIRMAN: Well, then, go ahead.

The WITNESS: I will complete my remarks on this question in just two or three moments. I was wondering if I could get the opinion of the committee as to another question which I had proposed to deal with, and that is the question of insurance by industry. There again it is a question of principle, in the same way as grading and dependants benefits were questions of principle. But at the same time no provision is directly made. I should like to know whether the committee would be interested.

Mr. REID: Yes; we want to hear that.

The CHAIRMAN: I do not feel that we are here particularly for that purpose. I think the talks are well worthy of the committee's attention, and even at the risk of taking the time I think we should go into that. Mr. Hodgson, perhaps you might not go into it in great detail, but outline the general considerations involved and if representations are made you will be here and we can call on you again.

The WITNESS: Very well, sir. I will be glad to complete these remarks on merit rating in just a few moments. I promised to give figures showing that merit rating tends to reduce benefit payments. In the United States during the year 1939 the state of Wisconsin which is the prototype of merit rating paid on its claims an average of only \$45.79 to its 8,000 beneficiaries. That was the average over a year, \$45.79 to its estimated 8,000 beneficiaries.

By Mr. Jackman:

Q. Per what?—A. Per annum, during the year 1939. Only one state in the whole union showed a lower average amount of benefit paid, and that was the state of South Carolina, which is a cotton state and therefore perhaps not strictly comparable. That figure seems to be rather pertinent to the argument.

By Mr. Graydon:

Q. Can you compare two states?—A. I think to a restricted degree that is possible. At least, it is rather interesting that the very instance which is the prototype of merit rating schemes is also the very instance which pays the lowest benefit rate.

Q. At least it is a helpful argument for your side.—A. Well, sir, I think one could go even a little further than that. Should one say it is an extraordinary coincidence that out of forty-eight states the only one which has had merit rating in practice for more than perhaps two years was Wisconsin. Wisconsin introduced this merit rating provision in 1936. That state is also the lowest one with the exception of a cotton state. So that seems to me to be rather important.

By Mr. Pottier:

Q. In merit rating do they take each industry, consider it and set the rate for each industry or do they take a group of industries? How do they fix the merit?—A. The systems vary. There are four or five systems at least of which I have heard.

Q. Generally speaking?—A. Generally speaking they take the individual firm, and of course, they have to make relationship with the individual industry. Then you compare the different industries in order to decide whether for example the automobile people are to be on the higher rate on the whole than people who are producing canned goods. One can easily see it is rather a complicated question. There is no standard really to judge by except the fact that employment is more stable here than there either because of seasonal or other factors. Does that answer the question?

Q. Say shipbuilding was on the scheme.—A. Yes.

Q. Would you consider the rate on the shipbuilding industry on the Atlantic coast to be different from that on the Pacific coast or would they take the shipbuilding industry as a whole?—A. Well, there it is extremely difficult to deal with hypothetical cases when the systems which exist—there are five of them—are not uniform. But I think it would be fairly safe to expect that if the Atlantic coast and the Pacific coast occurred under the same state jurisdiction that they would be treated as one industry. Of course, in the United States that is not so. If it were applied to Canada I presume—assuming they were both iron shipbuilding as opposed to wooden shipbuilding—that they would be treated on the same basis in that individual firms would be differentiated.

Q. They might have different wage scales?—A. Yes, they might.

Q. Our administration would cost more, with merit rating, for instance?—A. That seems to be the case; and in addition the merit rating places incentives which are directly opposed to the stabilization of which we hear so much,—the hiring of casual workers for a probationary period only, just before really taking them onto the payroll so as not to affect the status of the employer; reducing the

number of employees before liability to benefit payments; and laying off the workers with low benefit rates where that is possible. Stabilization, if it is to be achieved at all, can only be achieved with minimum working costs. No employer can hope to stabilize on the maximum number of employees that he employs at any time at the peak of his operations. It is to be expected, I think, that the employer will pay all he can to meet enlarged demands in prosperous times through overtime or stretching the normal week in other ways. The administrative difficulties have been pointed out. Their computations are needed for every single employer. This is particularly burdensome when small employers are covered as they are in Canada, or as they will be in Canada if this bill is passed. One might expect litigation in great bulk where merit rating exists, simply because it is to the employer's interest to prevent his employees from receiving benefits. For these reasons chiefly it seems that merit rating would be undesirable in Canada. The existence of the employees' and state contribution will probably prevent merit rating from becoming a question of absolute maximum import; yet it has been seriously suggested over a great number of years by public bodies in Canada. It was felt that this presentation might help to give the committee an idea of the approach which was taken when the bill was drafted and why those provisions were excluded. That was all I proposed to say on the question of merit rating.

By Mr. Jackman:

Q. I suppose those whose rating is very high would seek to be excluded. Take the banking system in Canada here. Their rating would be so high they would be excluded from the operation of the Unemployment Insurance Act, I suppose. Do you recall a merit rating where employment is as steady as it is in the banking system? They would have a very high merit rating, would they not?—A. If you had the merit rating system, then they would be paying a decidedly lower rate of contribution.

Q. Almost to the point of wishing to be excluded from the operation of the act?—A. They might quite well, yes. But all your good risks would be paying little and all of your bad risks, as it were, would be paying more. You might take it a step further. If you eliminate all your good risks from unemployment insurance, then I imagine it would cease to be unemployment insurance.

Mr. ROEBUCK: We need their contributions in the pot.

The WITNESS: I believe the principle among actuaries is called the spreading of the risk, but I think the practice is the same.

I propose to deal briefly with the question of insurance by industry, which is the question which has just been raised.

By the Chairman:

Q. Will you be some time on that?—A. It will just take a few minutes. I am watching the clock very carefully.

Q. Very well.—A. If I quote two sources, I think I can present the argument briefly. The first source again is Mr. H. H. Wolfenden. Mr. Wolfenden points out that if one has insurance by industry—that is rather than pooling the fund over the whole industrial picture of the country, having an individual scheme or an individual fund, either for each individual industry—in such a case transfers of workers from one industry to another are difficult to handle; and the principle of risk spreading—a principle to which actuaries, by the way, are very fervently attached,—would be violated. There is a quotation from Sir William Beveridge, the chairman of the British Unemployment Statutory Committee. Sir William Beveridge opposes the system of insurance by separate industries first because "demarcation of industries presents an extraordinarily difficult problem. Every industry shades off imperceptibly into

a number of neighbouring ones. Two or more processes normally forming part of different industries are often found integrated in one and the same establishment." His second reason for opposing this form of insurance is the fact of the—

By Mr. Roebuck:

Q. We do that in the Workmen's Compensation Act?—A. That has been done.

Q. We separate the industries.—A. It has been done, as you say. It is our belief, however, that one must be extremely careful in drawing analogies between workmen's compensation and unemployment insurance. The two are, we believe, fundamentally different. If there were time at the moment I would enlarge on that; if you would care to ask that question later, I could do so.

Mr. JACKMAN: The difference between Unemployment Insurance and Workmen's Compensation is that, some industries are hazardous, other industries are not. Employment on the other hand is pretty much a social question. It is dependent upon cyclical movements and other things far and away beyond the control of any one industry.

Mr. ROEBUCK: I should rather like to have the witness tell me the difference, fundamentally, between those two public enterprises.

The WITNESS: It might be said, in general, that employers can do something to make working conditions safe in their industries. In view of what I was saying on the general question of merit rating, I do not know how far it is possible to say that the employer can stabilize employment. There seems reason to believe that factors outside of the individual firm are strong enough to justify an opinion that an employer has only limited control over the stability of employment. Therefore, whereas in workmen's compensation one has a *prima facie* case for differentiation of this type, in unemployment insurance it seems reasonable to have your risk spread, simply because it is a risk which cannot be foreseen in detail. For example, the coal mining industry in Great Britain in 1911 was extremely prosperous and extremely stable, and therefore the coal mining people applied to be excluded from the British unemployment scheme. It was fortunate for them, of course, we know now, that they were not excluded; because due to wholly unforeseeable circumstances the British coal mining industry has now become or became prior to the war extremely perilous from the point of view of employment.

By Mr. Reid:

Q. That was the reverse of the view taken here in Canada—leave out the seasonal group and take in the steady group. In Great Britain they applied to leave out the steady ones.—A. Yes. We feel that one must include a number of good risks. The wider one can spread the cloak of unemployment insurance the better. Unemployment can only be forecast in detail to a limited extent. In particular, after this present war one may expect wide changes; and one can hardly forecast what forms those wide changes will take. I could go into greater detail on this question of the analogy between workmen's compensation and unemployment insurance, if that is desirable. I am quoting from some notes in a memo which has been prepared on the bill, where this very question is brought up:—

On the basis of a false analogy which may be drawn between workmen's compensation and unemployment insurance, it may appear that the same principles might be applied to the latter as to the former, but an examination of the fundamental differences will strengthen the practical justification of uniform contributions by all industries under unemployment insurance.

That is uniform in a wage category, under unemployment insurance.

[Mr. J. S. Hodgson.]

Industrial accident and disease mainly depend on the industry and on the extent to which employers educate their employees and adopt regulations and safety devices with a view to reducing accidents and disease. Industrial accidents and disease do not to any important extent depend on the prosperity or the reverse in any industry, although with a speeding up of industry there may well be some increase in accidents. The right to protection under workmen's compensation does not need to depend on the employment record of the employee but begins and ends with each period of employment; it is a day to day arrangement; the accident or disease arises while the workman is employed in a particular industry and the benefit is properly paid by that industry. Workmen's compensation is operated essentially on a short-term basis.

I do not know whether that satisfies the point.

Mr. ROEBUCK: I think it does.

The CHAIRMAN: Would it be in order to resume the committee at 8:30 o'clock and Mr. Hodgson will take up the matter of the schedules. Then if there are any here who are ready to go on with representations we can hear them. If not, we can consider the non-contentious clauses of the bill.

The committee adjourned at 6 o'clock p.m. to resume at 8:30 o'clock p.m. this day.

EVENING SESSION

The committee resumed at 8:30 o'clock p.m.

The CHAIRMAN: Well, gentlemen, when we adjourned Mr. Hodgson was dealing with a number of matters. I understand there have been requests in that he perhaps go a little further into the analogy or lack of analogy between workmen's compensation and unemployment insurance. So, Mr. Hodgson, if you are prepared to do that, and then go on with the other matters that you are prepared to deal with.

The WITNESS: Mr. Chairman and gentlemen: At six o'clock this evening I was cut short in the middle of an observation, as the Hon. Mr. McLarty has pointed out. Before I go on with it I would like to point out for the benefit of members of the committee that the material I am quoting is a considered memorandum which we have prepared in the Department of Labour on this question of the analogy between unemployment insurance and workmen's compensation. It is not the opinion of anyone else or any authority apart from Canada. It is our own memorandum; a very long memorandum which we have prepared for our own use on the sections and provisions of the bill which is now under consideration.

At 6 o'clock I was just pointing out that workmen's compensation is by its nature a day to day arrangement rather than an arrangement with a long term aspect. The accident or disease arises while a workman is employed in a particular industry and the benefit is properly paid by that individual industry. At that point, because of the pressure of time, I was forced to stop the quotation. With your permission I will carry on with that quotation and enlarge where in the opinion of the committee there seems to be some ambiguity or obscurity.

On the other hand, while unemployment insurance has some relatively short term aspects, it also has long term problems in that reserves should be built up to provide against depressions. The industries which are inflated from an employment point of view when overtaken by a depression will have attracted a large proportion of workers from other

industries, perhaps largely from non-insured industries, with little in the way of reserves behind them in the industry in which they may be caught by the depression. Moreover, the right to benefit and the duration of benefit under unemployment insurance depend and must in the nature of things depend in some way and to some extent on the prior employment record of the insured person in all insurable employment. If the employment record were left out of account, there could be no basis of insurance at all. Under the scheme of the bill the record over two years is taken into account in determining the right to benefit and over five years in determining the duration of benefit.

Mr. Stangroom enlarged on that question this afternoon.

Moreover, neither the particular employer nor any industry as a whole is responsible for unemployment in the sense that the employer and the industry may be said to be responsible for industrial disease and accidents. While employers may do a good deal to regularize employment, the very success of certain employers in this respect, due to their greater efficiency, may mean the creation of unemployment elsewhere in the industry or in industry generally, as witness the chain stores, and when all is done that can be done to regularize employment, it will be found that unemployment is largely due to forces over which no particular industry as a whole can have as much control as sometimes supposed, but it is more a problem for industry as a whole to meet than for particular industries. The effect of tariffs, for example, in making or destroying employment well illustrates this point.

Hon. Mr. MACKENZIE: I think you had better leave that alone.

The WITNESS: There are a number of other—

Mr. GRAYDON: There is no objection to his doing that.

Mr. ROEBUCK: Destroying, or making.

The WITNESS: Perhaps I should say, as a case in point.

There are thus some very fundamental differences between the scheme of things under unemployment insurance and under workmen's compensation.

By Mr. Reid:

Q. Might I ask a question right there? Is that two year period taken from the practice in Great Britain or the United States?—A. That period is taken from Great Britain, yes. It is two years prior to the claim for benefit and the five year period is the basis for the computation of the duration of the benefit.

If the rate of contribution were varied by industry as under workmen's compensation, it would be necessary to apportion contributions and claims in accordance with the several industries. It would be practicable by taking trouble to segregate contributions by industries, but having regard for what has been already said concerning the characteristics of the risk incurred under unemployment insurance, it would not do to fasten claims for benefit solely on the industry in which the insured person was last employed. The question then arises—on what basis could claims be apportioned to industries in proportion to the responsibility of each industry therefor? The statutory formulae established in the bill for the purpose of determining the right to benefit and the duration of benefit give no clue to the criteria which might be used for apportioning claims by industry. These formulae have been fixed upon for certain statutory purposes and, while reasonable for those purposes, give no clue to appropriate apportionment of claims by industry. The fact, as

[Mr. J. S. Hodgson.]

already shown, that responsibility cannot be fastened on the employer nor on the industry for unemployment in the sense that responsibility for industrial accidents and disease may be established is a good sound reason for requiring uniform contributions in each category from employers in whatever industry.

That is the report which we have made in anticipation of a question on the relationship between these two forms of social protection. Does that answer your question?

Mr. ROEBUCK: I think it all comes down to this, that in the case of accident the particular industry can be held responsible while in the case of unemployment no one industry can be held responsible, and certainly not the industry in which the man was previously employed.

The WITNESS: Yes, that is the essence of the argument.

The next question with which I propose to deal fairly briefly is the plan which I referred to briefly by name this afternoon; that is, the War Savings Unemployment Reserve Certificate Plan.

By Mr. Graydon:

Q. Could you devise a short title for that?—A. I do not know that that would be possible. I do not know of any shorter title. That is the title that its exponents use. Briefly it is a form of unemployment reserve proposed as an alternative to the Unemployment Insurance Act. It suggests a method of taking contributions by war savings stamps. It has been proposed quite widely recently in Canada by influential groups and it has been suggested that I should give the committee the benefit of the analysis that we have had an opportunity to make of that plan in considering the drafting of the bill which we have presented. The plan in outline is to deduct 75 cents weekly from the wages of each man employed and to ask the employer to make a contribution of 25 cents. The \$1.00 so collected every week will be invested in war savings stamps and when the value has reached \$100 stamps will be exchanged for an Unemployment War Service Certificate bearing interest at the current rate of 3 per cent, perhaps. Contributions will then stop.

By Mr. Reid:

Q. Will it bear 3 per cent? My understanding is that it will only pay 3 per cent if you pay up 80 cents on the dollar right now.—A. That may be the case; at any rate, perhaps at the current rate would be a safe enough statement for expressing it. When the certificate has been obtained contributions stop or go from the employer and the employee and then when the man is involuntarily unemployed he may borrow money on that certificate up to \$10 a week from the banks and he gives his certificate as security, or if he has no certificate he may cash the stamps. On returning to work he pays back all the money he has drawn plus interest and goes on as before. There are a great number of advantages claimed for this scheme. For example, it has been suggested that the advantage to the government was that the scheme would help to finance the war. Secondly, that there would be no government contribution. In the third place, that administrative costs would be low, because very few employees would be needed to administer such a scheme. In the fourth place, that there would be no danger from pressure from groups in parliament. Fifth, the scheme could be extended to sickness insurance, emergency loans and old age annuities.

Then there are claimed to be a number of advantages to the employee. In the first place that he would have enough reserve with the \$100 plus whatever interest might accrue. Secondly, that no further deductions would be made where the certificate is actually held. Thirdly, the poor workman would be penalized. Fourthly, there is no qualifying spirit as there is in the present bill and there are no waiting days as there are in the present bill. Fifth, that

domestic servants, formerly barred, and seasonal workers could benefit from this scheme. This, I might point out, is the contention; I am not expressing it as my own opinion or as the opinion of the department.

Hon. Mr. MACKENZIE: Who is supporting that particular scheme?

The WITNESS: This scheme was proposed by the Canadian Manufacturers' Association. It has been presented at the beginning of the present year and has been given considerable publicity since.

By Mr. Jean:

Q. Is it limited to \$100?—A. It is limited to \$100 for the individual employee.

By Mr. Chevrier:

Q. Is there any contribution by the employer?—A. Seventy-five per cent by the employee and 25 per cent by the employer but none by the state.

By Mr. Reid:

Q. Did they say what would happen when the war was over?—A. I do not remember reading any statement of that particular question in the brief that was forwarded to us on this plan.

Mr. CARTIER: That is a good suggestion for the employee.

The WITNESS: If I may give just a final advantage to the employee; it is claimed by the exponents of the scheme that it gives savings while protecting the rights of the individual employee.

Mr. ROEBUCK: Are the Manufacturers' Association coming here to present that proposition?

The CHAIRMAN: I think it is fair to say that we are advised that they are coming here, but whether or not they present this proposition we do not know.

Mr. ROEBUCK: Is it fair for us to hear their proposition ahead of their presentation?

The CHAIRMAN: Well, we are dealing with the various plans that have been suggested. I may point out that I do not think Mr. Hodgson intended to interject whose plan it was. He was simply presenting the alternative to unemployment insurance, and this being an alternative to that he presents it. They may present it in an entirely different light from what Mr. Hodgson has given to us, and we have got to judge it as that.

Mr. ROEBUCK: Well, we will hear it, I suppose.

The CHAIRMAN: It was submitted as an alternative plan to the Department of Labour. If the committee feel it is unfair to hear an outline of the plan submitted well then there is no reason particularly why we should.

Mr. ROEBUCK: If we are hearing it just as a plan, all right; but if we are hearing it as the Manufacturers' Association plan then, it is not.

The CHAIRMAN: Well, Mr. Hodgson did not say whose plan it was except in answer to a question by a member of this committee. He did not say who had submitted the plan, he did not volunteer that information in any way.

Mr. CHEVRIER: It might be that the plan has been made public.

The WITNESS: Yes, the plan has definitely been made public in the newspapers within the last month. It has been given circulation throughout the country. It was presented at the annual convention of that organization.

Hon. Mr. MACKENZIE: Was it given to the Department of Labour formally?

The WITNESS: It was given formally to the Department of Labour.

Hon. Mr. MACKENZIE: Then it is quite in order to discuss it.

[Mr. J. S. Hodgson.]

The WITNESS: In preparation of this bill we had to analyse the alternative proposals. Hence I was offering to the committee the results of that analysis, if that is in order.

By Mr. Pottier:

Q. Is \$100 the limit of the benefit?—A. \$100 plus any interest that may accrue to that certificate.

By Mr. Reid:

Q. There would be no interest?—A. I am not in a position to say. Certain advantages are claimed for the employer. As the employer's money goes to his own employees it is claimed that the right atmosphere is created for additional co-operation between employer and employee.

Secondly, there is the advantage that payments cease once a certificate has been earned, and, finally, the employer needs little in the way of statistics, wage records and that type of that cumbersome paraphernalia.

That, then, is the plan in detail.

The CHAIRMAN: You have outlined the plan, Mr. Hodgson. I think perhaps consideration of the merits or demerits of the plan might well follow its presentation, if that is the wish of the committee.

Mr. ROEBUCK: Mr. Chairman, when I raised the objection, it was only with an idea of being fair to the manufacturers who may come here.

The CHAIRMAN: I thought you agreed.

Mr. ROEBUCK: You answered my objection.

The CHAIRMAN: I feel that an outline has been pretty well given as an alternative plan and that possibly consideration of it as a plan might well await its presentation by the other side. I think that would be fair. Is that agreeable?

Mr. MACINNIS: I think so.

The CHAIRMAN: All right, Mr. Hodgson. Have you completed the details?

The WITNESS: I have.

The CHAIRMAN: I would suggest that any criticisms or suggestions of it await the presentation of the plan by the—

The WITNESS: Await presentation by?

The CHAIRMAN: By anyone who may present it.

The WITNESS: In that case I will proceed to discuss the questions that arise from the schedules.

There are five or six small points to which I should like to allude. The first refers to page 35, the second schedule of the bill—class zero contribution and benefit category. It is rather unusual to begin an enumeration with zero, but this zero class is a particular class for which special provision is made.

It seems that it might be desirable for me to justify these special provisions. It will be observed that while a wage earner is earning less than 90 cents a day or less than \$5.40 in a full week of six days, his employer pays 18 cents weekly contribution, and therefore 3 cents daily contribution. In respect of the employee there is paid 9 cents per week or $1\frac{1}{2}$ cents daily. The employer does not recover that 9 cents or the $1\frac{1}{2}$ cents, as the case may be. In other words, the employer pays 27 cents for those persons who are earning less than 90 cents for a full day's work, or less than \$5.40 for a full week of six days.

By Mr. Jean:

Q. Is there any place in Canada where wage earners receive less than 90 cents a day?—A. As a matter of fact, sir, there are. In the case of certain apprentices in certain provinces of Canada they receive less than that amount, until they have been under contract of apprenticeship or indenture, as the case may be, for at least six months.

By Mr. Reid:

Q. Did you say the employer pays it all?—A. The employer pays it all.

By Mr. Pottier:

Q. Why not say so?—A. Simply because for computation purposes there is a formula which I will be approaching in a few moments and in which we need the use of that 9 cent employee contribution which is not recoverable.

By Mr. Graydon:

Q. Regarding the 90 cents a day man, when you speak of contract of service do you include piece workers in factories?—A. Piece workers are treated within this Act. They are given special provision under section 42.

Q. Piece workers on certain days might make even less than 90 cents a day?—A. Yes sir. In the case of piece workers and of seasonal workers as a whole they naturally cannot in all details fall under the exact provisions which are provided for the others.

Q. Does this particular section apply to them?—A. It is for the commission to decide what terms shall be given the seasonal workers, piece workers and workers of that description, and that power is given in section 42 of this Act. Section 42 reads:—

Where it appears to the commission that the application of the provisions of this Act in the determination of benefits for classes of persons,—

- (a) who habitually work for less than a full working week,
- (b) whose normal employment is for portions of the year, but only in occupations which are seasonal, or
- (c) who by custom of their occupation, trade or industry or pursuant to their agreement with an employer are paid in whole or in part by the piece or on a basis other than that of time—

There the commission makes a special regulation. I am merely dealing with these issues in general because I think it might be fair to say that in considering the bill clause by clause the relationship between these schedules and the clauses which precede them may not be so apparent as it would be by having a special presentation of the question.

By Mr. Reid:

Q. On that point I should like to ask this question. Under the Act the schedule of rates would be mandatory on all employers of, shall I say, apprentices, but it will rest with the commissioners as to whether they will be placed in the category of benefits. Am I right?—A. There is a way of computing it. If an apprentice for a full day is earning less than 90 cents he is in category zero. If in any particular week he earns less than 90 cents a day—assuming the stamp system—there will be a stamp of class zero placed on his book. But if in the following week he earns a higher amount, something over \$5.40 a week, or something over \$1 a day, for that week he will have a stamp of a different colour, representing a different category, perhaps category 1.

In discussing the third schedule I will come to the details of how these various kinds of stamps are treated in computing benefits.

By Mr. Chevrier:

Q. While you are on the zero category, will you permit me this question. Zero is pursuant to section 19 (3) of the Act?—A. Yes.

Q. And that section says:—

Where the employed person is not paid wages or other pecuniary remuneration by his employer or any other person, or while his average daily earnings during a full working week are less than 90 cents, the [Mr. J. S. Hodgson.]

employer shall be liable to pay the contributions payable both by himself and the employed person and shall not be entitled to recover any part thereof from the employed person.

Can you give an example of a person not earning or getting or receiving or being paid other pecuniary remuneration than wages?—A. Other pecuniary remuneration than wages?

Q. Yes.—A. There are some cases of employment where a person is receiving practically no wages at all, but tips, for example. Under a graded system cognizance is to be taken of the question of tipping.

Q. Clubs, for instance?—A. That kind of thing—porters and so on. In some cases they receive practically no wages at all and depend entirely for their sustenance on tipping.

To continue with category zero the purpose of this 90 cent provision is to establish a minimum rate upon which persons can draw benefits without exerting a tendency to creating a minimum wage or to interfere with minimum wage legislation of the provinces. And so we have taken a 90 cent basis which is below all minima that exists and which provides for the inclusion of apprentices, provided they are over the age of 16, in all cases where they have been serving as apprentices for over six months.

By Senator Beaubien:

Q. Before you leave that tipping clause, are there any persons working under the minimum wage laws in the different provinces and not receiving wages or remuneration of some kind? I thought the minimum wage laws took care of that.—A. It is my impression, sir, that there are certain cases where wages are negligible. I will not say that wages are non-existent. There are other cases where the person is paid by someone other than his employer.

Q. The reason I asked that question is that in the province of Manitoba girls and men who work in restaurants are allowed the minimum wage of so much per week.—A. As Mr. Heaps has pointed out, in most provinces the minimum wage regulation does not apply to adult males in any case.

By Mr. Jean:

Q. Is there a minimum wage law in every province?—A. Not for males. They are very uneven; it is difficult to compare them and give a general answer. There are certain places where adult males in general are not protected and there are a number of instances where the minimum wage laws do not apply. But wherever the minimum wage laws do apply these regulations specify a rate above the 90 cents which we are providing. We are merely providing a base for the whole system. That is the sole purpose of category zero.

By Hon. Mr. Mackenzie:

Q. What is the ultimate benefit to the employee in category zero?—A. I was going to come to that in a moment, but I will deal with it now if you desire me to do so.

Q. Oh, no.—A. Also in category zero you will notice persons under sixteen years of age have 18 cents paid weekly in respect of them by the employer, and again 9 cents which is really the workman's contribution but which may not be recovered. The purpose of that is fairly obvious, namely, to remove additional incentives to the employment of young persons. If the employer wishes to employ those persons he is in exactly the same position as formerly with respect to the matter. On the other hand, if we had provided that the employed person paid his own 9 cents while the employer paid only 18 cents for persons under sixteen, there would be a small but a real incentive to employ persons of an age younger than sixteen. It seems undesirable to introduce new incentives of that type, and therefore we have removed the power to recover that workman's compensation.

By Mr. Jean:

Q. Do you make any provision for those under sixteen years of age?—
A. Yes, sir.

By Mr. Roebuck:

Q. Why do you not give him benefits?—A. We do under certain formulae, and that is what I was coming to. But when the person who was formerly earning less than 19 cents a day and who was formerly under sixteen years of age moves out of that category to such an extent that one half of his contributions are paid in a higher category, then he will have the right to treat all those stamps as benefit rights.

Perhaps if I enlarged on the method of computing benefits, that will make itself clear. You will notice on page 36, taking the single persons to begin with, that the weekly rate of benefits for the benefit year shall be thirty-four times the average weekly contribution paid by an employed person.

Now, coming to this particular case, that is, that class zero, if he has paid in the 9-cent contribution class, for fifteen weeks, and then paid in the 12-cent contribution class, that is category 1, for another fifteen weeks, he will be entitled to benefit on the basis of an average between those two contribution rates; in other words, $10\frac{1}{2}$, whereas his benefit rate will be $10\frac{1}{2}$ multiplied by 34 cents per week. In all other cases where the person's earnings fluctuate and therefore where at one time he is earning in the higher category and later in a lower category several different kinds of stamps will appear. When we compute his rate of benefit we merely add the number of daily contributions or stamps, regardless of colour, and if there are 180 daily contributions paid within the two years preceding the date of claim then he is entitled to benefit. The duration of his benefit is determined according to the ratio rule which was explained this afternoon by Mr. Stangroom; and the amount of benefit is determined simply by multiplying the average contribution rate of the employed person by 34 or 40 as the case may be.

By Mr. Jean:

Q. What do you mean by average contribution? Suppose a person was employed for two years during which he may begin payments, does it mean that if the man has not paid contributions for some time you take the average of the amount? —A. No, sir, the average contribution while in employment.

Q. While in employment?—A. While in employment. If the man is working three or four or five days a week or if a person has been working on a 6-day week but over a considerable number of weeks he has only worked five days or four days or three days, then the daily contribution will be paid in respect to him at the rate provided which is directly related to his wages and they will be averaged without regard for the time over which they have been paid. He will not be prejudiced at all by the fact that he has had only partial employment. In other words, in the computation of the amount of benefit we simply take the number of contributions at this rate, the number of contributions at that rate and find the average between them and say in the first case which I cited a moment ago, if a person has fifteen weekly contributions at the 9-cent rate, which is category zero, fifteen times nine will give us one factor and then fifteen more contributions at the 12-cent rate, fifteen times twelve will give us the other factor. We merely divide that figure by thirty which is the number of weeks over which contributions have been paid and therefore we have a straight arithmetical average. Then his average weekly contributions can be multiplied by 34 for a single person and we have his proper benefit rate weekly, and in the same way we can determine his average daily contribution, and determine his daily benefit rate.

I do not know whether it might be desirable to enlarge upon the reason for the provision of daily rates. In the 1935 statute no provision was made for the payment of daily contributions. Instead there was a formula relating to what was called "continuous employment" or "continuous unemployment", and these two terms did not have the dictionary meaning; they were given an extended meaning. In the first instance a person paid a weekly contribution regardless of how many days he worked during a week. Then when he came to claiming his benefits, if he could prove that he was unemployed during some of these days for which he paid contributions he would be entitled to a refund. In many cases that might mean that he had paid his forty weeks in the first instance and thought he was qualified, and then somebody came along and proved that he was actually unemployed during those forty weeks and so it was discovered that he did not qualify for benefit.

By Mr. Roebuck:

Q. If he has not paid anything but just was under contract getting an education, as it were, he does not get any pay, do you have to set aside the 27 cents?—A. If he gets education?

Q. If he gets no pay.—A. If he gets no pay but has a contract for service?

Q. Yes.—A. And is in insurable employment?

Q. Yes.—A. Then he accumulates benefit rates under category zero; but if he is not in an insurable employment or not under contract of service then he is, of course, outside the scope of the act.

The question of daily contribution eliminates two of the questions which have caused the greatest difficulty in Great Britain and the United States. In Great Britain the difficulty is that of the continuity rule; that is a rule defining continuous employment and continuous unemployment. In the United States the great administrative difficulty is partial unemployment. By having daily rates all those difficulties are automatically treated. We simply take the daily contribution which is related to the daily wage while he is working, and if he is not working we do not take a contribution.

By Mr. Reid:

Q. May I ask this question: Suppose a man lacked one or two weeks of receiving benefit and the employer was going to lay him off and wanted to pay the premium, and the man paid his premium which would entitle him under the act to unemployment insurance benefit, would he be debarred? I can visualize an employer going to lay off some man and the man saying if I had another week or two I would come under the unemployment insurance scheme, and the employer might say, very good, son, I will lay you off but I will pay the stamps for you and you can pay your contribution and you will get your benefit.—A. Well, that would be a direct contravention of the act, of course; it would be nothing less than fraud.

Q. He would have to be employed?—A. Oh, yes, he would have to be employed. The contribution is only payable for time employed; and it is equally an offence to pay contributions which are not supposed to be paid and also to fail to pay when under obligation to pay. The act works both ways quite impartially.

I have here a memorandum on the question of the continuity rule. It might be too cumbersome to treat it in detail. The general point of the continuity rule, the tremendous difficulty of it, involves first the fact that by having such a provision it is possible to secure unemployment by artifice; that is, a person is not really unemployed nor part unemployed and the employment insurance can be made a subsidy for wages. For example, in the case of a person who works in a certain week for two days and in the following week works for two days and so on over a period of five weeks, but pays contributions for broken

weeks under this 1935 system. He will pay twelve days' contribution and he will also, of course, receive benefit provided he has served his waiting time, because he is unemployed by artifice, as it is said. That is not insurance. There are severe complications in these things and there seems no justification for introducing such a complication when a daily contribution rate can be taken and which dispenses with all those difficulties. In the same way in the United States where they have partial unemployment problems persons working two or three days a week, the difficulty is to determine the amount of benefit to which such a person is entitled at the present time. They have not yet solved their difficulty. A minority of states have partial unemployment provisions; the others have not yet been courageous enough to introduce all that complication until such time as their administrative set-up is complete. But under our system we feel convinced that there will be no new difficulties introduced simply because we provide a daily basis.

By Mr. Chevrier:

Q. Are contributions paid weekly by the employer?—A. Contributions are paid both daily or weekly as the case may be.

Q. I mean paid into the state?—A. It is to be expected that as a rule contributions will be paid weekly but the commission is under the act given power to prescribe the manner, times and basis under which payments are to be paid, and a longer period than a week may be prescribed under certain circumstances.

Q. And does the employer retain the contribution payable by the employee to the fund?—A. I am sorry.

Q. Does the employer pay into the fund the employee's share?—A. Yes, sir.

Q. Takes it out of his pay?—A. Yes, sir, assuming we use the stamping system, which I believe is to be expected, although not yet embodied necessarily in the act. The stamp would be the total of the employer's and the employed person's contributions and so there would be eight kinds of stamps, 27 cents, 33 cents, 40 cents and so on. The value of stamps appears by adding the employer and the corresponding employee contributions. Daily rates would be the weekly total divided by six, and so it would be possible where the daily contributions were taken to provide for stamps which are scored in six parts, so that they may be used by tearing them off for the number of days as well as for a full week's employment.

Q. This provision is made but suppose the employer does not pay?—A. If the employer does not make the contribution which he is required to make there are proceedings designed to take care of such a situation. Fines are provided.

Q. I am thinking of a case not of bankruptcy but almost insolvency where the employer and the employee agreed to work in seasonal employment, and the wages are not payable until after the work is done—for instance, ice cutting.—A. Well, in the case of seasonal workers special provision is in all cases necessary; where anomalies might arise of such a type as you indicate, special regulations by the commission are required and provision is made for that under section 42 of the act.

By Mr. Pottier:

Q. What do you mean by stamps?—A. Unemployment insurance stamps. They are not revenue stamps; they will be a special kind of adhesive stamp printed for the purpose of unemployment insurance only.

Q. Does the employer purchase these or does he make his return with a kind of stamp?—A. The details in practice, of course, are not embodied in the statute and it would be rather presumptuous for me to specify exactly what the intention of the commission might be; but it is my impression that in general the employer would buy stamps in advance. Or Alternatively he might deposit a certified cheque with an employment exchange under certain circumstances.

[Mr. J. S. Hodgson.]

Whether or not that would be done again is a matter for the commission to decide; but there are many possibilities. It might be possible to dispense with stamps in certain cases and so provision is made in the act for payment otherwise than by stamps where required.

By Mr. Graydon:

Q. I want to follow up what Mr. Chevrier said a moment ago. I think he mentioned one particular kind of occupation, but he also led up to this point with regard to the bankruptcy of companies. In many instances there are back wages in bankruptcy actions for perhaps months at a time. What would be the position of a bankrupt company in a case of that kind where wages had not been paid?—A. There are two considerations there. The first is the fact that we have inspectors to go around to prevent, insofar as prevention is possible, any person from failing to comply. If an employer has not stamped his books for a considerable period, whether or not he is in a position to stamp his books at the moment, he has contravened the legislation.

Q. Then an employee could make use of this act if he so desired, by notifying the commission that his wages are not being paid and then the penalty provisions of this act attach to the employer?

The CHAIRMAN: Not on the non-payment of wages, surely; it would be on the non-payment of contributions.

The WITNESS: It would be simply under the Unemployment Insurance Act, no other act. But at the same time, the commission has the same priority with regard to contributions as the workman has with regard to wages.

By Mr. Graydon:

Q. On the point the chairman has raised, it is a contravention of the act to put on the stamps and pay unemployment insurance unless wages are paid, as I understand it?—A. That sounds a fair point. In such case I imagine that must be left to the commission.

Q. It gives the wage earner a way of collecting money in a very easy way. It may be an advantage if we had not thought of it in the act.

By Mr. Roebuck:

Q. If wages are owed, though not paid, then the contribution is cumulative?—A. Quite so. If the work is done and if there is an agreement to pay wages—a contract of service, that is, for wages—and if the wage rate is known, then a contribution is definitely payable. When the wage rate is not known, presumably the commission will have to make special provision. There are a number of individual cases like that, of course, where one cannot generalize until the decisions of the commission appear.

By Mr. Graydon:

Q. I just raised the point because it seemed to me to be an interesting one.—A. It is an interesting and important point.

By Mr. Roebuck:

Q. Are there any limitations on the odd jobs a young man may take while he is drawing benefits?—A. That is all in the bill here. A person drawing a benefit weekly?

Q. Yes. Can he move that on at so much?—A. If he is earning less than one dollar a day, or what in the opinion of the commission is a dollar a day and is at the same time fully available for employment, then he is not disqualified from benefit.

Q. But he must not earn more than a dollar a day?—A. He must not earn more than a dollar a day. The section that makes that provision does not jump to my mind at the moment, I am afraid.

Q. Never mind; you have given us the substance.—A. That is the substance of the section, yes. If I might go on then to look at class seven on page thirty-five which is at the opposite end from class zero with which we began, I should like to do so.

By Mr. Roebuck:

Q. You have not told us yet why this young man under sixteen years of age, or a chap who gets 90 cents a day, should not have any benefits?—A. It was my impression I had made that clear. If I have not, I am sorry. For the moment he receives no benefits, but when he passes out of that class he accumulates his benefit rights. The purpose of not allowing him to draw benefit in the first place on that basis is purely a technical consideration—the fact that one must have a base somewhere. When one has a base, one must leave room for persons who are gradually coming into the unemployment insurance system. If we allowed persons of sixteen years of age to draw a benefit or persons earning between 80 and 90 cents a day, then we would have to have a further category for persons earning less than 80 cents and persons under fifteen years of age gradually to come in.

Q. I do not see that.—A. Or at least it might be definitely desirable, because there are some cases where a person in one case, in one week, as it stands now, is in category one and in the next week he is not in category one; perhaps he is in what is now called category zero. If we had no category zero, such a person might not ever qualify for benefit; although he was working more than thirty weeks, he would not have thirty weekly contributions. By providing this bottom category, he is entitled to use contributions paid in that category as rights for benefit.

Q. I think we understand that. But I do not think you have answered that question yet. Take a person who is working regularly and under sixteen years of age—perhaps for six years under sixteen years of age if he starts at ten years, as I did. Why should he not have unemployment insurance?—A. Well, there are, of course, a number of considerations. In the first place, the great majority of those persons, I think it would be safe to say, would not be in insurable employment. For example, there is a great deal of work done in non-urban and non-industrial conditions by persons of extremely tender years. In the second place, persons under sixteen years of age—persons of fifteen, for example—do get their benefit when they require it, provided they have passed the age of sixteen. That is, they make their contributions over a period of two years; and if over that period of two years they have made thirty weekly contributions and provided that their contributions are in category one, then they are—

Q. I ran an elevator at a dollar a week for a long time and I worked up gradually. I was paid \$2, then \$3, then \$4 a week over a long period of time.—A. Yes?

Q. I do not see why a boy in that position should not get the benefit when he needs it more than he does when he is more highly paid.

Mr. MACINNIS: He does get the benefit as soon as he is in a position to make a contribution. The reason he does not get a benefit under this is because he does not make a contribution. He is making no contribution himself.

By Mr. Graydon:

Q. We are overlooking entirely the Adolescent Act in all the provinces when we are speaking of those conditions, because under the laws in our province we are not allowed to leave school before sixteen.—A. Except in certain cases.

Q. A permit can be given; but on the other hand it is by no means a general thing that permits are given.—A. No, sir. It is a very small point.

[Mr. J. S. Hodgson.]

It is my feeling that it would not apply in practice to very many persons, (a) because of the school-leaving age in many provinces and (b) because, as you say, the workman does not pay a contribution himself.

By Mr. MacInnis:

Q. As soon as they begin to receive more than 90 cents they begin making contributions?—A. Oh yes, definitely.

Mr. MACINNIS: So that with your \$2.00 a day it would be applicable.

Mr. ROEBUCK: \$2.00 a week.

Mr. POTTIER: You earn more than that now.

Mr. ROEBUCK: I was not then.

The WITNESS: I trust the minimum wage laws will prevent persons from having to work full time for a whole week for \$2.00 in Canada in industrial enterprises. If I may proceed to the question of class 7, I shall do so. It will be noticed that the ceiling in class 7 is \$38.50 in a week. We have used the words "in a week" advisedly. The point, of course, is that it is specifically what it says, in a week and not as a general rule for an average over the year. If in any particular week a workman earns a figure between \$5.40 and \$7.50, between \$7.50 and less than \$9.60 and so on, he will pay his contribution which properly belongs in that category. His benefit will be based upon the average contribution which he has paid over the period of two years immediately preceding his claim for benefit. Then the question arises. How is one to put a ceiling to the insured persons?—and the ceiling is on the basis of wage. The \$38.50 is merely a round figure which approximately represents \$2,000 a year in full employment. But the commission is empowered to provide, where persons are not employed for a full year, that other rates may be taken as being equivalent to \$2,000 a year. When it has been determined that a person is earning less than \$2,000 a year but certainly more than \$26.00 in a week, then it is automatically determined that he falls for that week under category 7.

By Mr. Graydon:

Q. How do you figure out bonuses?—A. That again is a question which is giving a certain amount of difficulty in the United States. A number of monographs have been published on that question alone, tips and bonuses; but cognizance is definitely taken of them and there are a number of methods that can be used.

Q. Under this weekly basis, you take it week by week, as I understand it; then at the end of the year, if a bonus is given, do you divide that over the fifty-two weeks in the year or do you take it as having been given in that particular week?—A. That again is one of the questions which is a matter for regulation. Provision is made in the bill for regulating that type of circumstances. Of course it will demand a certain amount of study before a practical administrative basis for such particular points may be determined upon. I have with me the methods that have been used for both tips and bonuses in various parts of the United States and a number of other expedients which have been proposed a priori but never used.

By the Chairman:

Q. In England that matter is irrelevant?—A. In England, as they are paying under the flat rate, there is really no difficulty at all with tips. But when one is seeking to pay a benefit rate which is directly related to the normal standard of living, one must naturally take cognizance of all the earnings. There are some persons who are earning very small wages and whose tips approximate or even exceed their normal wages.

By Mr. Reid:

Q. I wonder if you would mind answering this question. This afternoon I was looking at the rates which I have been provided with, and with which you have been dealing this evening; and the figures quoted have to do with the amounts given to those with dependants.—A. Yes.

Q. Those without dependants, according to the information before me, will receive 85 per cent of the amount given to those with dependants. Am I right?—A. Yes, that is right.

Q. That is correct?—A. This afternoon I just took my pencil for a moment, and one thing that has rather puzzled me regarding the payments to dependants was this. Your first schedule there is \$4.80 to those persons earning between \$5.40 and \$7.49; and if you take 85 per cent of that, payable to a man without a dependant, it works out at \$4.08. That is a difference of 72 cents payable as between a man with dependants and a man without dependants.—A. That is correct.

Q. Here is what puzzled me. We go up the scale. The next class is \$6.00 for a man with dependants and a man without dependants will receive \$5.10?—A. Yes.

Q. Which is a difference of 90 cents.—A. Ninety cents, and so it increases as you go up. It increases right along until in the last two there is a difference of \$2.20. In class 7, the man with dependants gets \$12.00 and the man without dependants will get \$7.80, a difference of \$2.20.—A. I am sorry. Where is that?

Mr. MACINNIS: No. Seven is \$2.16.

The CHAIRMAN: Yes, \$2.16.

By Mr. Reid:

Q. It runs all the way from \$4.80, \$5.20, \$8.40, \$9.60, \$12.00, \$14.40 per week.—A. Yes.

Q. I am quoting the rate of \$12.00.—A. Yes?

Q. Payable to a man with dependants.—A. That is in class six.

Q. I think 85 per cent of that works out at a \$2.20 difference payable to the man with dependants as against the man without dependants, and when you come to the next class, \$14.00, 85 per cent of that is \$11.90, which is a difference of \$2.10.—A. Do you mean, sir, that the computations of the rates for single persons are not accurate?

Q. I want to make it clear. The amount payable to a man without dependants is 85 per cent of the amount paid to the man with dependants?—A. Shall I put it this way—

Q. I wanted to know the difference. When we come to the two last classes it begins to go down instead of up?—A. Perhaps if I put it this way it is more reasonable. The contribution rate of the employed person is simply multiplied by 34 or 40, and so the benefit rate is determined, and in class 6 the single person receives \$10.20 which is thirty-four times 30 cents, and the married person receives \$12 which is forty times 30 cents, and the difference between the two is \$1.80.

Q. It does not name it exactly as 85 per cent?—A. Thirty-four to forty is the actual relationship between the two.

Q. Let me ask this question: why should a man without dependants get less as the class goes up as against the man with dependants? The ratio is the same?—A. The ratio is the same—

Q. I mean the amount, I should not have said ratio.—A. The answer is that the amount cannot be the same because we are seeking to preserve the ratio. In other words, we are trying to make a direct relationship with the standard of life. If a person is supporting a wife or a child and earning \$5.40 but less than \$7.50 we feel the best we can do is to make a small provision for such dependants. On the other hand, where a person is earning \$38 or even

[Mr. J. S. Hodgson.]

\$40 in a week it is to be expected he will be maintaining his children at a much higher standard of living than the person first cited, and therefore we seek to give him some compensation which is more representative, which has really more meaning in practice to him. At the same time, I feel that it is not administratively practicable in Canada to provide for a detailed series of rates for dependants as was suggested under the 1935 Act; and if the committee desires I shall later, or another officer from the department will enlarge on the question of dependants. We have a number of memoranda on the question.

Q. The fault is mine. I am not satisfied. There seems to be quite a point in this. I realize that we move up from the \$4.80 class to the \$6 class, and you are moving up to the man who is earning more money with the same dependants; but the question I asked was: why should not the 85 per cent be the same amount in each class?—A. It ceases to be 85 per cent.

Q. Would the difference be the same?—A. We are maintaining relationship throughout between the amount a man pays and the amount a man receives, and if he goes into a higher wage category he receives exactly the same ratio, but because he is at a higher standard of living we are trying to cushion the shock of his unemployment and, therefore, we give him a few cents greater than in the other case; but, of course, there will be a limited number of cases in which persons are maintaining dependants in category one.

By the Chairman:

Q. For all the classes on the weekly rate in the third schedule the difference between the single and married person with dependants is 15 per cent?—A. Yes.

Q. That varies— —A. Yes, it varies, and the justification for the variation in amounts is simply the general principle we are seeking to establish—the relationship between the standards of living.

Q. I understood Mr. Reid to suggest that the variation was not a constant factor.

Mr. REID: No, it is not.

The CHAIRMAN: Yes, it is.

The WITNESS: It is my contention it is a constant factor.

Hon. Mr. MACKENZIE: It is constant, but relatively so.

The CHAIRMAN: It is 15 per cent different in each case.

The WITNESS: One is thirty-four times the average contribution, the other is forty times the average contribution, and as the average contribution grows so the discrepancy between thirty-four and forty grows; but, nevertheless, the factor itself is constant.

By Mr. MacInnis:

Q. If you take a dollar as the basis, you get for the single man 85 cents and so on?—A. Exactly.

Q. It would go up when you get to \$2—it is twice fifteen?—A. Yes, it is \$1.70, in that case with a person with no dependants.

By Mr. Graydon:

Q. There is no difference in so far as the number of dependants is concerned?—A. No, sir. That is a very large and a very controversial question, and we are prepared to deal with it. I would suggest—

Mr. REID: I am prepared to leave it until the question comes up.

The WITNESS: I suggest that it is more desirable as it is certainly a most important question,—and the material which I have at the moment is merely the justification of these other things. On the other hand, I have these other memoranda with me.

The question of tips and bonuses was referred to. I do not know whether it is desirable that I should enlarge on that at the moment.

By Mr. Graydon:

Q. The only thing I should like to know is how they arrived at the amount in the United States, generally?—A. I can give you seven different formulæ which may be used on that question. This relates specifically to tips, but in practice it relates equally to bonuses in a specified week. I am quoting from material which was provided by the Social Security Board on the question of tips and bonuses. I shall not quote directly from this material, but merely present some of the general considerations. It is impossible to give the exact figures which are used in that memorandum.

The first way of dealing with the question of tips and bonuses is that the workman may report to the employer the amount of tips he received in a given week. This method, of course, is open to the objection that correct reporting and full reporting might be difficult to secure, but tips and bonuses might be regarded as part of wages and there might be a tendency to depress wages still further.

Secondly, the amount of tips might be estimated by the employer without consulting the worker; but the employers, as a general rule, do not have any very exact information of the amount of tips.

The third system which has been suggested is that the value of the tips might be estimated jointly by employers and workers. This, of course, would call for bargaining which might be frequent and cumbersome.

Fourthly, the value of tips might be computed as the difference between the estimated value of services rendered and of wages paid. That, again, is rather vague and might not be valuable in practice.

Fifth, the value of tips might be estimated by valuing the amount of tips in the best and the poorest month of the year. Again, this means detailed records.

Sixth, tips might be reported according to a schedule and values prepared by the administrative agency—in Canada by the commission. This method, of course, is too rigid; it makes little allowance for seasonal differences or fluctuations.

Seventh, if tips are included in the definition of wages such earnings could be computed on the basis of percentage of total receipts in given establishments. Where tips are not included in the definition of wages the administrative agency, or commission, might assume a minimum wage, or by adding a reasonable or what might be considered reasonable tip average of the wages actually received.

So that there are a number of different possibilities, and it is quite impossible at this stage to specify which of those methods, if any, will be adopted by the commission; but it is fairly certain that cognizance will have to be taken of the tips and bonus situation if one is to establish a relationship between standards of living and benefits.

The CHAIRMAN: I believe if you would indicate that certain things would be by regulation that would meet the situation. I believe I have the unanimous agreement of the members in such matters that that would be better rather than go into the possibilities that the regulations might provide.

By Mr. Graydon:

Q. A good deal of the feeling, if it is to be covered by regulation, is the kind of regulation, and much of the legislation depends upon the kind of regulation the commission will put in. The house and the public would like to have some idea of what the regulations would be.

The CHAIRMAN: I doubt if it is properly within Mr. Hodgson's province what those regulations would be as they are set up the commission itself.

[Mr. J. S. Hodgson.]

Mr. GRAYDON: I do not think he has attempted to do that; all he has done in answering questions is simply to point out what has been done in other countries which might, perhaps, prove a basis for the regulations.

The WITNESS: I might say that in preparing the bill the officers of the department have had to consider in considerable amount of detail the regulations which might be desirable from the point of view, however, of the commission; but it is quite impossible for officers of the department to specify in advance what decision the commission is going to make when the bill is not yet law.

By Mr. Graydon:

Q. You have been careful not to say.—A. That has been my effort.

By Senator Sinclair:

Q. Will you explain why the officers of the department considered it necessary to consider tips?—A. Well simply, sir, because in the graded scheme which was pointed out this afternoon by Mr. Stangroom, rather than have a flat minimum rate throughout the country with all the unevenness and complications that that implies we are proposing to make a direct relationship between earnings and benefits. If that direct relationship is to be real, we must consider a number of cases where tips are a large proportion of wages—perhaps, they may even exceed wages.

Q. Would it not be better to disallow tips and make them pay on wages if they want to be in the insured class?—A. That might be desirable from the total point of view, but it is my view that it is without the province of the unemployment insurance program proper to place any restrictions one way or the other upon the power of giving tips. We have a tipping system which is quite widespread in certain callings, such as hairdressing, railway porters, pages and waiters in restaurants, we have it on a large scale; and if we are to pay those persons any benefits which are in any way commensurate with their actual earnings then we must take cognizance of the problem of tipping.

Q. What method have you for arriving at the amount of tips?—A. I was reading the seven suggestions made by the United States Social Security Board. They have prepared a detailed but confidential memorandum giving the statistics of the situation as they see it. I was able to present only their conclusions.

Q. But you did say they had a good deal of difficulty in the different states in arriving at that?—A. Yes, sir, that is naturally a question in which every individual case differs. Under any unemployment system there are bound to be certain marginal cases which need special treatment, and so there are the seasonal workers from the standpoint of coverage; from the standpoint of earnings they are major classes, those earning less than a certain amount of wages and those earning more, or perhaps more than the ceiling allowed, and those earning money other than wages but which is part of their normal sustenance. The details in practice of tipping will have in the last instance to be left to the commission. I do not feel I can commit myself.

By Mr. Jean:

Q. You realize that as far as tips are concerned, the commission will have to deal with each case individually, and that will be a tremendous piece of work for the government to do?—A. One might say that each industry—

Q. Oh, no, not with each industry; it is not the same thing with one industry and another?—A. No, not from one industry to the other.

Q. The tips are not the same from one employee to the other.—A. Well, I agree that it is a complicated question. I indicated that in the first instance, and I was loth to go into it in detail.

By Mr. MacInnis:

Q. In most occupations where an employee gets a part of his remuneration from tipping, employers usually put a value on the amount of the tips and count it in with the wages.—A. They may do that.

Q. It is customary to do that.—A. I have worked in employment in which that was done; but in practice it is contended by some persons that by regarding tips as part of wages justification seems to appear for depressing the wage. Whether or not that is the case I am not prepared to say.

By Mr. Roebuck:

Q. The employee can give an accounting of the amount of money he has received if everything else fails?—A. Yes, that is one way.

Q. He will have to keep one pocket for tips and count them at the end of the day?—A. Yes. In any case, the rate of contribution which is properly payable and the amount of wages which a person can prove he has earned—all these things are subject for regulation by the commission in detail.

Hon. Mr. MACKENZIE: Through experience.

The WITNESS: Exactly. The Employment Insurance Advisory committee can, of course, employ experts to work out this question in much greater detail than can be done in the first instance.

Then coming to class 7 again, I should like to point out that in the first schedule (M), the ceiling is established. Persons are excepted from this Act if their employment is at a rate of remuneration exceeding in value \$2,000 a year or in cases where such employment involves part-time services only at a rate of remuneration which, in the opinion of the commission, is equivalent to a rate of remuneration exceeding \$2,000 a year for full-time service. I am drawing this to the attention of the committee chiefly to indicate the proviso which follows section (m) on page 34. That proviso indicates that a person who has been in insurable employment and who passes to a wage basis which the commission considers to be higher than the equivalent of \$2,000 a year the insured person in that year may continue as an insured person provided that he pays himself the employer's contribution as well as his own contribution; and consequently if, later, wage rates fall he will not have lost his accumulated rights. I hope that is clear. That is page 34, the proviso which follows (m). (m) provides that persons receiving over \$2,000 a year are excluded provided that any person in respect of whom contributions have been paid as an insured person for 260 weeks, that is approximately five years, may continue as an insured person notwithstanding anything in this paragraph contained. Elsewhere in the Act it is provided that the insured person in that case, pays the entire workman's and employer's contribution.

By Mr. Roebuck:

Q. Without limit of time, he can go on as long as he likes to go on?—A. Provided he has 260 weeks as an insured person.

Q. Once he qualifies he can continue it even though he becomes a \$10,000 a year executive?—A. He can if he wishes to do so, but presumably if that were done special categories would have to be devised for the higher wage groups. The principal point of this proviso is obvious, that wages may be expected to fluctuate and if we have an exact ceiling at \$2,000 per annum there will be a number of cases where persons simply because they are earning too much in wages would not be able to have stamps put onto their books according to the law, so we provide that where a person falls into the higher wage group but where there is risk that they may go down again they continue to put the stamps on but pay for the whole stamps themselves and accumulate their rights.

[Mr. J. S. Hodgson.]

By Senator Copp:

Q. Do I understand you that for an insured person under section (m) on page 34 there is another clause which provides for his paying the employer's as well as his own contribution?—A. The employee pays both contributions while he is contributing under this proviso to (m), but as soon as he falls back into the class which is considered by the commission to be equivalent to less than \$2,000 per annum the employer again is expected to pay.

Mr. POTTIER: He would continue to pay the 63 cents a week.

The WITNESS: Provided he had made 260 weekly contributions; that is to say we keep five years' records. In the 1935 Act the proviso specified a 500 week period for such persons. That means of course keeping records for every insured person in the country for ten years, and it was felt that this would be administratively cumbersome and that a five-year period, this period, should be used for computing the benefit rates and they would be adequate to secure the object of this proviso.

By Mr. Graydon:

Q. May I ask one question with regard, for instance, to railway workers; where a man working on a rate, or paid perhaps on a mileage basis with perhaps a guaranteed minimum per month; one week they might be in category number two or three and the next week they might be in category seven, and the next week they might be outside the \$2,000 limit altogether; but they are paid by the month not paid by the week; in what position would the company and the employees be? Could you clarify that point?—A. Well, sir, there are two or three considerations there. The first is the fact that we have an hourly definition of a working week. In section 2, subsection 1, paragraph (h) of the bill it reads:—

“Working week”, means the number of days or the number of shifts which constitute the full week's work for any grade or class or shift in an occupation or at a factory workshop or other premises of an employer.

Under that definition in another part of the bill it is provided that where a person works what is a full working week there, even if he works that full week within 48 hours he pays the weekly contribution on it, but if he had worked 48 hours and had not worked what is deemed to be a full week's work under the Act in the grade or class or shift, or at a factory, workshop or other premises of an employer then he pays daily contributions for the days; and so we have that relationship in the first instance.

Q. But the basis of all these contributions if made is what?—A. That would be made by determining whether the person worked a full week. If he has worked a full week and if the earnings he has made equal the average of a regular week the number of days it takes him to make those earnings are deemed to be a full week.

Q. What would be the net result of that; would he make a contribution under this scheme exactly on the basis of his earnings during that month?—A. I think that might be a fair generalization. That, of course, is one of the advantages of a graded scheme. Where you do have fluctuations in wages you have adjustments in your stamping, which means that when the benefit is computed all these fluctuations are evened out within certain limits. One method of exact evening out is by having direct percentages for every insured person rather than by having seven or eight things, as were suggested. But on the whole there is a decided tendency to even out cases where earnings over a short period or a large period are widely different. Does that answer you?

Mr. GRAYDON: Yes, I think that is what I wanted.

The WITNESS: There is just one other small point I would like to allude to; namely, the importance of having any contribution rate full cents rather than small fractions of a cent. In the 1935 Act it was provided that in certain cases an employee was to have 1-1/4th cents deducted from his wages. Well, of course, that is quite impossible. Either the employer there pays the 1/4th cent or the employee does, and where there are thousands of employees involved in it that might become a considerable sum. It is also advisable to arrive at weekly rates which are divisible by 6 so as to give a daily rate, and we had that in mind when we devised the rate on employed persons' contributions which appear in schedule 2.

Hon. Mr. MACKENZIE: I think the committee should be very appreciative indeed of the four excellent witnesses we have had today. They have given us a very excellent background of the legislation and have dealt effectively with the principles of the Act.

The CHAIRMAN: I would like to extend to Mr. Hodgson the thanks of the committee for the careful and painstaking way in which he has gone into the provisions this evening.

We suggested before six o'clock if there were any who wanted to make any presentations tonight that we would be glad to hear them. If not it was suggested that we might go over the non-contentious sections of the bill. And so, if we can make some progress on that, is that agreeable to the committee? As we go along if there is any contention about any section we will just let it stand rather than attempt to deal with it this evening.

On section 1: Short title. Section agreed to.

On section 2: Interpretation.

Mr. REID: I was just wondering, Mr. Chairman, if sub-section (d) is clear enough?

The CHAIRMAN: I was going to take this clause up section by section.

Sub-section (a) agreed to.

Sub-section (b) agreed to.

Sub-section (c) agreed to.

Sub-section (d) —you wished to discuss that, Mr. Reid?

Mr. REID: I was wondering, Mr. Chairman, if sub-section (d) is clear enough in regards to labour disputes?

Hon. Mr. MACKENZIE: There is a special section later on which deals fully with that.

The CHAIRMAN: I think you will come to that. The section which deals with it is No. 43.

Mr. REID: All right.

Mr. ROEBUCK: Is this the same definition with regard to labour disputes which you find in some of the other Acts?

The CHAIRMAN: It is the same as the British Act. They call it a trade dispute, and we have it labour dispute to widen it out somewhat.

Mr. GRAYDON: Is this definition the same as in the 1935 Act?

Mr. HODGSON: It is the same except for the term.

Hon. Mr. MACKENZIE: Louder, please.

Mr. HODGSON: It was called trade dispute in the 1935 Act as well as in the British Act.

On section (e): Section agreed to.

On section (f): Section agreed to.

On section (g): Section agreed to.

[Mr. J. S. Hodgson.]

On section (h): Section agreed to.

On sub-section 2: Meaning of certain expressions in the Act. Sub-section (a) agreed to.

Sub-section (b) agreed to.

Sub-section (c) agreed to.

Sub-section (d) agreed to.

Sub-section (e) agreed to.

Sub-section (f) agreed to.

Sub-section (g) agreed to.

Sub-section (h) agreed to.

Sub-section (i) agreed to.

Sub-section (j) agreed to.

Sub-section (k) agreed to.

Sub-section (l) agreed to.

Section agreed to.

Mr. ROEBUCK: I notice there is no definition of employment.

Mr. HODGSON: Might I interpolate? In the schedule there is something which defines employment within the meaning of Part II of the Act, Part II being that part of the Act which provides for unemployment insurance; page 33, Part I, the first schedule.

The CHAIRMAN: Is that all right? Shall we proceed?

Mr. ROEBUCK: Yes.

Section 2 agreed to.

Sub-section 3: Division into parts.

Part I agreed to.

Part II agreed to.

Part III agreed to.

Mr. GRAYDON: Part III, is that the one, Mr. Chairman.

The CHAIRMAN: On section 4: Commission.

Mr. GRAYDON: Subsection 3, is that the one covering the period of ten years for the chief commissioner?

Mr. HEAPS: That is changed from the 1935 Act.

Hon. Mr. MACKENZIE: It is changed in that sub-section 3 becomes section 4 in the new Act.

Mr. GRAYDON: What was the tenure of office in the previous Act?

Mr. HODGSON: Ten years.

Mr. GRAYDON: Why the distinction in tenure in office for the chief commissioner? It is only five years for the other two.

Mr. BROWN: I dealt very briefly with that this morning.

Mr. GRAYDON: I was not entirely satisfied with your explanation.

Mr. BROWN: That may be, sir. That is all right. The view that was taken was that it was important to maintain the representative character of the personnel of the commission and that due to changes occurring in labour organizations on the one hand or conceivably employers' organizations on the other hand it would make for a representative commission, that it would ensure more fully a representative character to the thing. Of course, you will notice, it is possible to re-appoint.

Mr. GRAYDON: Yes, quite. I think this perhaps is a question that you should not be asked to answer yourself, Mr. Brown, but it seems to me that the

changes in representation so far as labour and industry are concerned are not so apt to happen as changes in the government, and we appoint a man for ten years by one government and we expect him to represent for the entire ten years the policy and public opinion in the country. I myself feel that the opinion of industry and labour is likely to change far less quickly than perhaps public opinion as represented in the House of Commons. I only point that out.

The CHAIRMAN: Do you not think, Mr. Graydon, that the chief commissioner has to have sufficient time—and ten years seems to be about the appropriate time for commissioners—to give continuity to his work? Of course, the other commissioners, while nominally appointed by the government, are only appointed on recommendation; so the fact that the government changes would not have any effect on the appointment of the assistant commissioners. The reason is that they can only be appointed after consultation with labour and after consultation with the employers.

Mr. GRAYDON: Do I understand that if a man is appointed for ten years to the position of chief commissioner, the succeeding government would not have power to remove him?

The CHAIRMAN: No more than any other commissioners, such as the chairman of the Tariff Board, or any other commissioner appointed by the government. I think it is a standing rule.

Mr. GRAYDON: I am not raising any special objection to the ten year period except that if we are to follow the suggestion made by Mr. Brown with regard to the other commissioners I think the same basis applies to a greater extent than to the chief commissioner.

Mr. HEAPS: There is another argument that your point raises, Mr. Graydon. It has been stated in the house, particularly by Mr. Bennett, that if you want to get a good man for the position you have to give him security of tenure, otherwise you might not be able to get the class of man you desire as chairman of a commission.

Mr. BROWN: Ten years is the term of office for the chief commissioner of the Board of Transport Commissioners, which is the oldest of all the boards in the country. It really goes back to that.

The CHAIRMAN: I do not think Mr. Graydon is pressing it.

Mr. GRAYDON: I am not pressing it at all.

Sub-section 3 agreed to.

Mr. HANSELL: May I ask if the commissioners would come under the Civil Service Act?

The CHAIRMAN: Oh, no, not the commissioners; they are appointed by the Governor in Council.

Senator SINCLAIR: It is required that the chief commissioner of the Board of Transport Commissioners be a lawyer of ten years' standing. It is an important position.

The CHAIRMAN: I think, Senator, other considerations enter into that appointment. After all, the Board of Transport Commissioners is largely a legal board. Personally I should dislike seeing the same stipulation here.

Senator SINCLAIR: Or necessarily a lawyer at all?

The CHAIRMAN: Or necessarily a lawyer at all.

Sub-section 4 agreed to.

Section 5 sub-section 1 agreed to.

Sub-section 2 agreed to.

On section 5, sub-section 3.

Mr. REID: With respect to sub-section 3, is the period of vacancy not too long? It is set at four months.

The CHAIRMAN: It fixes a maximum. It does not suggest that it will not be filled long before that. I think some time limit has to be given.

Mr. MACINNIS: Is not the period too long?

Mr. ROEBUCK: You can appoint a temporary man.

The CHAIRMAN: Because the Act gives you power to do it within four months does not necessarily mean that you will take four months to do it.

Mr. REID: I am thinking of the commissioner representing labour who might quit and leave one commissioner representing industry and the chief commissioner.

The CHAIRMAN: It could not be vacant for more than four months.

Mr. MACINNIS: But it could be vacant for four months?

The CHAIRMAN: Yes.

Mr. HANSELL: On the other hand, it may be difficult to secure a capable man.

The CHAIRMAN: That, of course, is the reason.

Mr. GRAYDON: I should not think there could be any real objection to the four months period.

Sub-section 3 agreed to.

Mr. ROEBUCK: Sub-section 4 reads:—

The decision of the majority of the commissioners present at any meeting shall be the decision of the commission, and in the event of a tie, the chief commissioner shall have a second or casting vote.

Observe that there can only be a tie when one of the three is away. Both of the commissioners might be opposed to the chief commissioner upon some matter, but in that case, if either one of the two, not the chief but the other two, stays away, the chief may then bring the matter up and carry his view over the view of the other commissioner. My submission is that he should have no casting vote.

The CHAIRMAN: In that case there would be a deadlock.

Mr. ROEBUCK: No. The chief commissioner has a second or casting vote. There are three in all; two of the commissioners are opposed to the chief commissioner on some question—

The CHAIRMAN: In that case there is no casting vote.

Mr. ROEBUCK: If one stays away then there are two present and the first vote is a tie, in which case the chairman has a second vote and carries it, thereby in effect carrying his point against the other two commissioners.

The CHAIRMAN: This is a pretty general provision. I think you have got to assume that when a commissioner is appointed he is going to act in good faith. If he knew that the other two commissioners were opposed to him and he deliberately brought a matter up when he knew one commissioner could not be present in order that he might get his way, no one would suggest that that is good faith.

Mr. ROEBUCK: You are putting it right in his hands to do it and giving him the authority. And for what purpose? I have sat on boards of three. The Hydro Commission was a board of three, and we gave the commissioner no casting vote. When two were present and they were disagreed, they waited for the third to come back; the matter was left open.

Mr. MacINNIS: You might have to wait for four months.

Mr. ROEBUCK: Then let them get together and decide it and not leave it to one man to put it over the other two.

The CHAIRMAN: I still feel you have to leave it to the good faith of the chairman. I imagine the man who is appointed chairman will be of very high quality. While he might possibly do that once I doubt if he will get away with it many times.

Mr. ROEBUCK: He has ten years during which to serve and you cannot put him out. But what advantage is there in giving him the casting vote? Isn't it far better that these men should agree on their work.

Mr. McNIVEN: If the chairman of the commission were to attempt any such thing, would it not be possible for the other members of the commission to withdraw so that then there would be no quorum at the meeting?

The CHAIRMAN: That is true.

Mr. ROEBUCK: Then the whole works cannot carry. Besides that, he may not be on his toes sufficiently. The thing is brought up and voted upon. That is on record. Then and not till then does the third man come up with his little ace in the hole.

The CHAIRMAN: Apparently there is a certain measure of contention about this.

Hon. Mr. MACKENZIE: There are many other bodies where the chairman has the casting vote. For instance, there is the Bank of Canada.

The CHAIRMAN: I do not see that any practical difficulty will arise. As Mr. McNiven says the quorum can always be broken up.

Mr. ROEBUCK: But he may not get a chance to withdraw until the tie vote has been recorded. After they are tied the third vote comes in and he does not get a chance to withdraw unless he suspects what the chairman is about to do.

The CHAIRMAN: Then we shall let section 5, subsection 4 stand.

Section 6 agreed to.

Section 7 agreed to.

Mr. GRAYDON: In connection with section 6, is it possible to sue the commission without a fiat?

The CHAIRMAN: Oh, yes.

Section 8 agreed to.

Senator COPP: Why is it necessary for the commissioners to reside within ten miles of Ottawa?

The CHAIRMAN: It is thought advisable to have the commissioners available at all times. If they were living elsewhere it would make it difficult for them to assemble.

Senator COPP: With present modes of travel it seems unnecessary. You can get to Ottawa quicker from Montreal than from a distance of ten miles outside of Ottawa.

The CHAIRMAN: It is a full-time job, the same as the railway commissioners. Section 9 agreed to.

On section 10.

Mr. ROEBUCK: Mr. Chairman, I do not understand the reason for some of the wording in section 10. It says:—

Such officers, clerks and other employees as are necessary for the proper conduct of the business of the commission shall be appointed or employed in the manner authorized by law.

I do not understand the difference between "appointed" and "employed." I also do not know what is meant by the words, "in the manner authorized by law."

The CHAIRMAN: There is a certain power of appointment in the commission which would account for the word "appointed." Then there are the regular employees of the commission who would be appointed by the Civil Service Commission. I do not think it is a redundancy.

Mr. BROWN: You have to include provision for the appointment of your statutory committee.

Mr. HEAPS: Or the advisory committee.

The CHAIRMAN: Which would not be appointed by the Civil Service Commission.

Mr. BROWN: Which would not be appointed by the Civil Service Commission but appointed by the Governor in Council.

Mr. HEAPS: Then there are the local committees.

Mr. MACINNIS: If you leave this in the Act as it is will it not enable an appointment to be made by order-in-council?

Mr. BROWN: No, because there is a law in the Civil Service Act which definitely provides otherwise with regard to all staff matters.

Mr. ROEBUCK: There is another point which I should like to raise in this connection. It says,—

Such officers, clerks and other employees as are necessary for the proper conduct of the business

That means that it is only when they are necessary that they may be appointed, and it does not provide any method of determining when they are necessary.

The CHAIRMAN: I think that would be within the determination of the committee.

Mr. ROEBUCK: I think it ought to be made clear, Mr. Chairman.

The CHAIRMAN: Can you conceive of any other body, apart from the commission, having the determination of when it is necessary?

Mr. ROEBUCK: It might be a question of fact to be determined by a court.

The CHAIRMAN: I do not follow that.

Mr. ROEBUCK: Somebody might contend that some appointment was not necessary as a question of fact and ask for an injunction or a mandamus preventing the appointment because it was not necessary. I suggest, so as to clear the air, that after the word "are" in the first line the following words be added, "deemed by the commission necessary," &c. to clarify the section.

The CHAIRMAN: There is power of appointment in the committee, is there not, and also in the national employment committee, so if you are going to do that you would have to say "when necessary" by any commission or committee or board appointed under this Act, would you not? Supposing someone went to the court and got a mandatory order, would that not be evidence that they were not necessary?

Mr. ROEBUCK: Yes. It might be a good thing.

The CHAIRMAN: Yes.

Mr. McNIVEN: If you required additional assistance in your department, would you not have to justify the necessity of that assistance to the treasury board?

The CHAIRMAN: And to the Civil Service Commission.

Mr. McNIVEN: Not to the treasury board?

The CHAIRMAN: No, no; vice versa.

Mr. McNIVEN: Will this commission have to justify it to the treasury board?

The CHAIRMAN: Oh, yes; to the Civil Service Commission.

Mr. McNIVEN: And the treasury board?

The CHAIRMAN: Yes.

Mr. GRAYDON: On that point—I do not want to delay the committee—but are we quite clear on this? The section says: "The Commission may, subject to the approval of the Governor in Council, from time to time temporarily employ such persons of technical or professional attainments as the Commission may deem necessary." Are all other employees, clerks and so on, to be appointed by the Civil Service Commission?

The CHAIRMAN: Yes.

Mr. GRAYDON: That is definite?

The CHAIRMAN: Yes.

Mr. BROWN: This clause is put in at the instance of the Department of Justice. The Department of Justice suggested the wording here.

Mr. GRAYDON: I should not like to call that a precedent.

The CHAIRMAN: On subsection 2. That is carried?

Subsection agreed to.

Shall the section carry?

Section agreed to.

On section 11. Shall the section carry?

Section agreed to.

On section 12, subsection 1.

Mr. ROEBUCK: I should like to query that. It says:—

(1) For the purposes of any investigation undertaken by the Commission under the provisions of this Act, the Commission shall have the powers of a commissioner under the Inquiries Act.

I have not looked up the Inquiries Act so there may be an answer to my objection. The commission can only act as a body. The commissioner under the Inquiries Act acts personally, and I think this clause had better stand for more consideration.

Mr. BROWN: Under the Inquiries Act, sir, the provision is not infrequently made for the appointment of more than one commissioner. That is not infrequently the case.

Mr. ROEBUCK: It is usually one.

Mr. BROWN: It is usually one, but not invariably so.

Mr. ROEBUCK: For instance, the chief commissioner when there are three, administers the oaths and perhaps does other things.

Mr. BROWN: Yes, that is right; no doubt about that.

Mr. ROEBUCK: Now, in this instance all that the commission can do under the Inquiries Act is to act as a commission, and that is a body of three people and not of one person.

Mr. BROWN: No.

Mr. ROEBUCK: And three people cannot administer the oath.

The CHAIRMAN: Would you like to have the section stand?

Mr. ROEBUCK: I think it ought to stand.

The CHAIRMAN: Section 12 stands. On part II, Unemployment Insurance. Insured Persons. On section 13, subsection 1. Shall the subsection carry?

Subsection agreed to.

On subsection 2.

Subsection agreed to.

On subsection 3.

Subsection agreed to.

On subsection 4.

Subsection agreed to.

Shall the section carry?

Section agreed to.

On section 14.

Mr. GRAYDON: When we passed No. 1 in 13 does that mean we have passed the exempted occupation?

The CHAIRMAN: No.

Mr. GRAYDON: I should like this left over.

The CHAIRMAN: Yes, that will be understood.

On section 14.

Mr. REID: I wonder if Mr. Brown would explain anomalies, because we are giving the commission power under the act to take from one class and put into another or vice versa. Section 14 reads as follows: "Where it appears to the Commission that the terms and conditions of service of, and the nature of the work performed by, any class of persons employed in an excepted employment are so similar to the terms and conditions of service of, and the nature of the work performed by, a class of persons employed in an insurable employment as to result in anomalies in the operation of this Act, the Commission may, by regulation, conditionally or unconditionally provide for including—" and so on. Then it goes on giving the commission power to do certain things. I do not know just what that means.

Mr. BROWN: They are—

The CHAIRMAN: This is identical with the 1935 act?

Mr. BROWN: It is identical, Mr. Minister, with the 1935 act. There are anomalies which are involved. For instance, Mr. Moore just reminds me that in the Printing Bureau there may be a case in Ottawa that individual printers would be receiving more the rate of the \$2,000 rate but that in other cases the rate would be otherwise. Now, the section says "the nature of the work performed by, any class of persons employed in an excepted employment are so similar to the terms and conditions of service of, and the nature of the work performed by, a class of persons employed in an insurable employment as to result in anomalies—" and there are anomalies that exist not infrequently in certain classes of employment with respect to exceptional scales of remuneration as one case in point.

Mr. STANGROOM: There may be a case, for instance, where a clerk is employed in the lumbering industry, but he is employed all the year round and the nature of his work is not lumbering. He is strictly speaking a clerk and he might under those circumstances be covered or he might in some seasonal occupation be employed the year round and yet would not need to be covered. It is merely to avoid anomalies; it is not really to bring in exempted employments.

The CHAIRMAN: Shall subsection (a) carry?

Subsection agreed to.

On subsection (b) shall the subsection carry?

Subsection (b) agreed to.

On section 15.

Mr. POTTIER: What is meant by "inconsiderable extent"?

Mr. STANGROOM: A person may be employed in a canning factory during a fishing season for a few weeks in a year, two or three weeks in a year, and he may normally be a fisherman, and there is no reason why a person of that sort should pay contributions.

Mr. REID: There are persons in canning factories, within the provision?

Mr. STANGROOM: Where they have a reasonable period of employment, where they can show it.

Mr. BROWN: As is the case, Mr. Reid, in every canning factory practically in the province here with respect to the engineer and one or two other classes who are so employed. That is the case; but, of course, when the canning season comes along additional help is taken on for the berry season and the tomato season as the case may be for a few days or a few weeks.

Mr. STANGROOM: That again is to remove anomalies.

The CHAIRMAN: Shall the section carry?

Section agreed to.

On section 16.

Mr. ROEBUCK: I hope you will pardon me butting in so often but this section must be considered. No. 1 must be considered as a whole. The section says:—

(1) Where any employed person proves to the satisfaction of the Commission that he is either:—

(a) a person who is employed in an occupation which is seasonal and which does not ordinarily extend over more than twenty weeks in any year and who is not ordinarily employed in any other occupation which is insurable employment; or

(b) a person who habitually works for less than the ordinary working day.

That states the facts. Now, under these circumstances the act says:—

The Commission shall grant him a certificate exempting him from liability to contribute under this Act and the holder of such certificate shall not be insured under this Act.

That is voluntary, and further in the act in section 22 you will find under these circumstances the employer goes on paying notwithstanding the fact that the man is not insured, and if you look at section 29, subsection 1 you will find the employee gets no benefit. He is not insured and he gets no benefit. The point I am raising about that is that the commission shall grant him a certificate. The man may not want a certificate. He may want to be insured. He does not say that he wishes to be exempt and I think that is what is meant. He shall be exempt under the act.

The CHAIRMAN: But, Mr. Roebuck,—

Mr. ROEBUCK: He should also be granted that certificate.

The CHAIRMAN: Here is the thing. If he does not want to get the certificate he won't need to trouble to prove to the employer that he is entitled—

Mr. ROEBUCK: Is it intended he shall not be insured under this condition if he does not want to be?

The CHAIRMAN: Do you not read that, when he proves to the satisfaction of the commission that he is exempt, unless he takes that action presumably—

Mr. ROEBUCK: That is the intention.

Mr. STANGROOM: The initiative must be taken by the person who wishes to be exempt.

The CHAIRMAN: Shall that subsection 1 carry?

Subsection 1 agreed to.

On subsection 2.

Subsection 2 agreed to.

On subsection 3.

Subsection 3 agreed to.

Section agreed to.

On section 17. Shall subsection 1 carry?

Mr. GRAYDON: Let us read it first.

The CHAIRMAN: All right.

Subsection 1 agreed to.

On subsection 2.

Subsection agreed to.

On subsection 3.

Subsection agreed to.

On subsection 4. Shall the proviso carry?

Proviso agreed to.

Shall the section carry?

Section agreed to.

On section 18.

Section agreed to.

On section 19, subsection 1.

Mr. GRAYDON: It is pretty hard, Mr. Chairman, to follow this.

The CHAIRMAN: If there is any question do not hesitate to stop me.

Mr. REID: We are all supposed to have read these things. Do not forget it is easier to pass a bill in the House of Commons than make any amendments you want.

Mr. HANSON: I suppose, Mr. Chairman, although we are passing these we can revert to them at any time?

The CHAIRMAN: Yes.

Mr. HANSELL: Some evidence may cause us to change our minds.

The CHAIRMAN: Quite true. We are just dealing with the non-contentious ones. If they turn out to be contentious we shall reconsider them.

Mr. GRAYDON: What does No. 2 mean?

The CHAIRMAN: Subsection 2 of section 19?

Mr. GRAYDON? Yes.

Mr. STANGROOM: Take, for instance, the manager of a chain store who is not the direct employer of the persons who work there. He nevertheless pays the contribution; he is entitled to recover from the owners of the chain store. He himself is actually an employee but as regards the other employees in the store he is the manager, and he might for purposes of administration pay their contributions in the first instance.

Mr. GRAYDON: Personally?

Mr. STANGROOM: No, as he possibly pays their salaries in the first instance from the takings of the store. Take, for instance, a chain store like Loblaws. The manager of the store pays the employees' salaries in the first instance out

of the funds in that particular store and he therefore in the first instance would pay the employer's contribution and he in turn would have recourse to the concern itself.

Mr. GRAYDON: How could he have recourse to the concern itself when it is the store's own funds?

Mr. STANGROOM: He is not an employee, he is an employer strictly speaking.

Mr. GRAYDON: But it is the employer's money; it is not paid by the manager.

Mr. STANGROOM: This gives him the right to use that employer's money, yet he is not an employer.

The CHAIRMAN: We did not pass subsection 1.

Subsection 1 agreed to.

On subsection 2.

Subsection 2 agreed to.

On subsection 3.

Mr. GRAYDON: I think we should let No. 2 stand, Mr. Chairman; I am not satisfied.

The CHAIRMAN: All right. Subsection 2 of section 19 will stand.

On subsection 3.

Subsection 3 agreed to.

On subsection 4.

Subsection 4 agreed to.

On section 20.

Mr. ROEBUCK: Well, some answer is necessary here. Section 20 says: "In any cases or classes of cases where employed persons work under the general control and management of some person other than their immediate employer, such as the owner, agent or manager of a mine or quarry, or the occupier of a factory or workshop, the Commission may by regulation provide that—" Is not that what you were speaking about?

Mr. STANGROOM: That is an enlargement of the same provision.

Mr. ROEBUCK: Such as "Owner, agent or manager of a mine or quarry." It says, "Owner, agent or manager." That seems an anomalous recital. Owner is an entirely different classification from agent or manager, and it does not fit in with what you say—a person paying wages and later on going back to the owner for the money.

Mr. GRAYDON: I cannot see that.

Mr. ROEBUCK: I do not see the owner in that at all.

The CHAIRMAN: Shall the second section stand?

Mr. ROEBUCK: Perhaps it is open to explanation. It certainly does not strike me as right. Take the next one, "or the occupier of a factory or workshop." What is the meaning of that?

Mr. GRAYDON: Why not let the section stand?

The CHAIRMAN: Section 20 stands.

Mr. STANGROOM: "Such persons other than their immediate employer."

Mr. ROEBUCK: The occupier of a factory is not in the position you have described, as the agent paying money belonging to the owner.

The CHAIRMAN: We are permitting the subsection to stand that Mr. Graydon requested, and as this is along the same line, we will let it stand too.

Mr. McNIVEN: Did you pass subsection four of section nineteen?

The CHAIRMAN: Yes. Do you wish to revert to it?

Mr. McNIVEN: I wonder if we could have some explanation of it. Is it intended to prevent employment of young people under sixteen years of age?

Mr. BROWN: It is intended to discourage it.

Mr. HEAPS: In some provinces they are not allowed to work at all because of the school leaving age.

The CHAIRMAN: Section 20 stands.

Mr. ROEBUCK: Before we leave section 20, lest we ignore it or forget it—

The CHAIRMAN: We are not passing it. It stands.

Mr. ROEBUCK: I want to note this. In the very last line you have a typographical error. It reads, "The immediate employer shall be permitted to recover from the employed persons the like sums and in the like manner is if he were liable to pay the contributions." The "is" should be "as".

The CHAIRMAN: That is quite true. It should be "as". Then section twenty-one. Is it agreed?

Mr. GRAYDON: Are there any penalties for infractions of section twenty-one?

Mr. BROWN: Yes. The penalty provisions appear further over.

Mr. GRAYDON: And the penalty provisions cover that particular point?

Mr. BROWN: Yes.

The CHAIRMAN: Shall section twenty-one carry?

Section twenty-one agreed to.

Mr. REID: I think I asked Mr. Brown this before, but I am not sure whether I got a clear answer. Does the employer of one person come under the Act?

Mr. BROWN: Yes.

Section 21 agreed to.

The CHAIRMAN: Section twenty-two.

Mr. McNIVEN: If the employee gets no benefit under having a certificate, why do you ask the employer to make a contribution under section 22.

Mr. ROEBUCK: Although no benefit goes to the employee.

Mr. STANGROOM: That is to provide that employers employing persons with certificates of exemption must pay the employer's contribution, to remove an inducement to employ persons who are not insured.

The CHAIRMAN: If they employed some persons who have certificates of exemption, they do not get away from paying the employer's share.

Mr. McNIVEN: In some cases the whole personnel may be made up of persons with certificates.

Mr. GRAYDON: He may advertise for persons with exemption certificates.

Mr. JEAN: Does that apply if the employment is seasonal like that of a longshoreman, for instance, where an employer is not exempted?

Mr. JEAN: Longshoremen are exempt.

The CHAIRMAN: There is a certificate of exemption, Mr. Jean.

Mr. JEAN: I see.

Section 22 agreed to.

The CHAIRMAN: Section 23.

Mr. ROEBUCK: There the employer holds any money he deducts from the employee in trust. Is not that the modus operandi? Does he not buy a stamp and stick it on? When does he deduct from the employee?

The CHAIRMAN: There is another provision there, other than stamps; but that has reference to that. He deducts it when he issues a cheque for it.

Mr. MACINNIS: This is to insure. I presume there is legal authority for compelling the moneys to be paid over.

Mr. BROWN: I think the wording of the section itself is reasonably clear, that any sum deducted by an employer from wages or other remuneration under this act shall be deemed to have been entrusted to him for the purpose of paying the contribution for which it was deducted.

The CHAIRMAN: If he deducts it.

Senator COPP: There is a penalty for that later on, if he does not pay it.

Mr. GRAYDON: Yes.

Mr. HEAPS: In other words, it is not his money.

Mr. ROEBUCK: Then take a man who has paid his employee half his wages and owes him the other half—I am just trying to get a case. Has he deducted part of the wages or has he not?

Mr. STANGROOM: He would be only making deduction from what he actually received, not from what is actually due to him.

Mr. GRAYDON: I do not think that is quite true in principle. As I understood Mr. Hodgson to answer one of my questions a few moments ago, it is not on that basis. The basis is what you are contracted to pay, not on what you actually have paid; because I brought up the question of what would happen in the case of a bankrupt company. It was along that principle that the evidence was given.

Mr. STANGROOM: Yes.

Mr. ROEBUCK: So that if he has partly paid, then what portion which he has not paid, which is contribution—although he may not have it in his pocket at all; he may not pay because he did not have the money—he yet holds in trust.

Mr. POTTIER: It is deducted.

Mr. ROEBUCK: Well, nothing is deducted. Suppose you owe a man \$10.00 and \$1 of it is contribution. You pay him the \$9. In that case I suppose you have contributed the \$1, but you have not paid him the \$10 and then asked him to hand you back the \$1. You have got to the point, have you not, where you may have the man holding something in trust which he has not got?

Mr. HEAPS: If an employer deducts wages from an employee, are not the wages perhaps a loan to the employer?

Mr. ROEBUCK: I do not know what you mean.

Mr. HEAPS: Suppose an employee is entitled to \$15 a week and only receives \$10 as you have suggested. Is that other \$5 not in the form of a loan possibly to the employer?

Mr. ROEBUCK: Apparently that is what it means, that the \$5 has been deducted. A man may have paid the \$10 only because he did not have the full \$15; and, therefore, he is asked to hold in trust a portion of that \$5 which he has not got.

Mr. POTTIER: I do not think the section means that. It says, "Any sums deducted." If you deduct a sum, you are deducting a physical thing. That is the intention of this section.

Mr. MACINNIS: Any sum deducted here, I should think, would mean a sum deducted for unemployment insurance purposes.

The CHAIRMAN: Yes, that is the way I read it; as a deduction for the payment of unemployment insurance contribution and he is made a trustee to the extent he has not paid it, and the penalty applies.

Mr. ROEBUCK: Then my proposition stands. Suppose a man owes \$15 to his employee. Suppose he has not got \$15 but has only got \$10 and he gives him the \$10. Has he deducted the \$5.

The CHAIRMAN: Well, deduct the amount which will be required to make the payment in connection with the contribution to unemployment insurance.

Mr. ROEBUCK: That is included in that \$5.

The CHAIRMAN: Yes, but I do not think the \$5 would enter into it.

Mr. MACINNIS: No. This act is not concerned with anything except deductions for unemployment insurance. What happens to the rest of the wages is no concern of this act.

The CHAIRMAN: It would refer to the specific deduction for the payment of the proper contribution under this act.

Mr. ROEBUCK: Then the proposition that I have made would not be within this?

The CHAIRMAN: No.

Mr. ROEBUCK: Suppose you changed the illustration slightly, and instead of withholding \$5, he withheld the whole amount.

The CHAIRMAN: The whole \$15?

Mr. ROEBUCK: Of the contribution. Suppose he was withholding an amount which happened to equal the contribution. Then would he have deducted that?

The CHAIRMAN: I would say he was a trustee for the amount of the contribution.

Mr. ROEBUCK: Then he is a trustee for something that he has not got and never did have, because he is short of that money.

The CHAIRMAN: Oh, yes. But suppose he paid him a week from Saturday when he should have paid him on the previous Saturday. My thought would not be that that relieves the obligation to pay the insurance contribution. The mere fact that the employer does not have the necessary money right in his pocket does not relieve him from the obligation of the unemployment contribution.

Mr. ROEBUCK: I am pursuing this because it is important when you are making people into trustees. Suppose a man does not pay anything for a certain week. He certainly then has deducted the contribution. He has not got any money at all and does not pay him at all. Has he then deducted the contribution?

Mr. MACINNIS: Put it another way; he is liable for the contribution.

The CHAIRMAN: What Mr. Roebuck says is: "Should he be a trustee?"

Mr. ROEBUCK: Should he be a trustee for something that he does not possess and never did possess?

The CHAIRMAN: In other words, you would have this position: If he paid \$10 he would be in a position worse than if he paid him nothing.

Mr. ROEBUCK: Yes. If he paid him something, perhaps he should deduct from that something enough to pay the government.

The CHAIRMAN: Yes. But if he does not pay him anything—

Mr. ROEBUCK: If he does not pay anything, has he deducted it?

Mr. POTTIER: It must be a physical deduction.

Mr. ROEBUCK: There never is a physical deduction. It is only a non-payment.

Mr. HEAPS: Mr. Chairman, with respect to a person earning, say, \$15.00 a week, the question of whether or not he receives his money from the employer is not the important point for the purpose of the insurance act. The important thing is that the contribution which should have been made to the fund should have been made by the employer, and that amount should have been stamped in the book, as Mr. Moore just mentioned to me a moment ago. That amount should have been stamped in the book, for at such time as that employee becomes unemployed he is almost immediately entitled to benefits; and unless that book is stamped with the amount of the contribution by the employer, then the employee loses his benefit rights when he becomes unemployed.

Mr. ROEBUCK: Yes.

Mr. HEAPS: And, therefore, if the money which he is supposed to have paid into the insurance fund, for which the administration of the unemployment insurance act will be responsible, has not been paid at all, there has been some offence committed by the employer under the provisions of the bill you are now considering.

Mr. ROEBUCK: Yes. But you have already provided penalties for non-payment of the contribution, and provided for that thoroughly. Do you wish, in addition to providing penalties, to make him a defaulting trustee as well?

Mr. HEAPS: That is a question which the commission or whoever is responsible for the administration of the act will decide, as to which they consider is the best method to adopt for enforcing the provisions of the bill you are now considering.

Mr. ROEBUCK: A man may be charged in the police court for the two things.

The CHAIRMAN: The whole question is the word "deduct".

Mr. ROEBUCK: That is the trouble.

Mr. POTTIER: It is physical. That is the intention.

Mr. HANSELL: Could we not sleep on that to-night, Mr. Chairman?

The CHAIRMAN: All right. Section 23 stands; that is, section one. Then we come to section two of section 23.

Mr. MACINNIS: Let the whole section 23 stand.

The CHAIRMAN: All right. It has the same priority as the wage earner for recovery of wages from a bankrupt company.

Mr. POTTIER: Presumptive; is that the idea?

The CHAIRMAN: For the same time as provided in the Bankruptcy Act.

Mr. ROEBUCK: No. It may be three months; but the Bankruptcy Act rights agree with the provincial act with regard to priorities and it all depends on the provincial priorities. That section is very complicated.

The CHAIRMAN: Suppose we let it stand. Shall section twenty-four be agreed to?

Mr. GRAYDON: Just a minute.

Section 24 agreed to.

On Section 25: Section agreed to.

On Section 26:

Mr. BROWN: There are some matters in this affecting the railway companies.

The CHAIRMAN: Oh yes. I think we have done a real day's work.

Hon. Mr. MACKENZIE: I think so.

Mr. ROEBUCK: We have carried 24, 25, and 26?

The CHAIRMAN: Not 26, 26 stands.

Hon. Mr. MACKENZIE: At what time do we meet to-morrow morning?

The CHAIRMAN: Is 10.30 agreeable to the committee?

Mr. REID: You are getting it early. For myself, I am going to object to anything earlier than 10.30.

Mr. JACKMAN: We have the banking committee on at 11 o'clock, I suppose we can't help ourselves.

The CHAIRMAN: I am in the hands of the committee.

Mr. REID: That may be very well for some members. I know the work I have to do.

Mr. ROEBUCK: I move 11 o'clock.

The CHAIRMAN: I am advised that notices have been sent out for 10.30. Eleven o'clock is all right. We will just decide what time we are going to sit regardless of notices.

The committee adjourned at 11 o'clock p.m. to meet again on Tuesday, July 23, at 10.30 o'clock a.m.



SESSION 1940

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

BILL No. 98

Respecting

UNEMPLOYMENT INSURANCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, JULY 23, 1940

WITNESSES:

Mr. W. C. Coulter, Mr. W. H. Macdonnell, Mr. W. R. Yendall, of the Canadian Manufacturers' Association.
Mr. Tom Moore, of the Trades and Labour Congress of Canada.
Dr. Harvey Agnew, of the Canadian Hospital Council.
Mr. Geo. S. Hougham, of the Retail Merchants' Association of Canada, Inc.
Mr. Norman J. Dawes, Mr. R. P. Jellett, Mr. A. M. Mitchell, Mr. F. D. Tolchard,
Mr. W. McL. Clark, of the Canadian Chamber of Commerce.
Mr. Norman S. Dowd, of the All-Canadian Congress of Labour.
Mr. C. H. Millard, of the Canadian Committee for Industrial Organization.
Mr. I. C. Rand, Mr. F. C. S. Evans, Mr. S. Mills, of the Railway Association of Canada.

OTTAWA
J. O. PÂTENAUME, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940



MINUTES OF PROCEEDINGS

TUESDAY, July 23, 1940.

The Special Committee on Bill 98 respecting Unemployment Insurance met this day at 10.30 a.m. Hon. N. A. McLarty, the Chairman, presided.

Members present: Messrs. Cardin, Chevrier, Graydon, Hansell, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators William Duff, J. F. Fafard, John T. Haig, R. B. Horner, J. E. Sinclair, E. C. St. Père.

In attendance:

Mr. Gerald H. Brown, Assistant Deputy Minister of Labour; Mr. Eric Stangroom, Mr. J. S. Hodgson, Chief Clerk and Industrial Research Clerk respectively of the Department of Labour, Ottawa, Mr. Tom Moore, President of the Trades and Labour Congress of Canada and Mr. Fred Molineux, General Organizer of the Brotherhood of Painters, Decorators and Paperhangers of America, representing the Trades and Labour Congress of Canada; Mr. Norman S. Dowd, Sec'y-treasurer of the All-Canadian Congress of Labour.

The Canadian Manufacturers' Association was represented by the following officials:—

W. C. Coulter, Chairman, Industrial Relations Committee, C.M.A.
Coulter Copper and Brass Co., Ltd., Toronto, Ont.
W. R. Yendall, Richards-Wilcox Canadian Co., Ltd., London, Ont.
L. Armstrong, Consolidated Paper Corp., Ltd., Montreal, Que.
R. W. Bates, Bates & Innes Limited, representing Primary Textile Institute, Carleton Place, Ont.
H. R. Wake, Aluminium Company of Canada, Ltd., Montreal, Que.
J. Naismith, Capital Brewing Co., Ltd., representing Dominion Brewers Association, Ottawa, Ont.
J. H. Stovel, President, Ontario Mining Association.
J. T. Stirrett, General Manager, C.M.A.
H. W. Macdonnell, Secretary, Industrial Relations Committee, C.M.

The Canadian Hospital Council was represented as follows:—

Mr. R. Fraser Armstrong, Kingston, Ont., Executive member of the Canadian Hospital Council;
Rev. Sr. Robert, representing Montreal Hospital Council;
Dr. J. A. Dobbie, Administrator of the Ottawa Civic Hospital;
Dr. Harvey Agnew, Toronto, Ont., Secretary-Treas., Canadian Hospital Council.

The Canadian Chamber of Commerce's delegation was composed of the following:—

Mr. Norman J. Dawes, President of National Breweries;
Mr. R. P. Jellett, Vice-President of the Royal Trust;
Mr. Allan M. Mitchell, Chairman of Robert Mitchell Co., Ltd.;
Mr. R. J. Magor, President of National Street Car;
Mr. F. D. Tolchard, Gen'l Manager, Toronto Board of Trade;

Mr. W. McL. Clarke, Secretary, Canadian Chamber of Commerce;
Mr. D. L. Morrell, Ass't-Sec'y, Canadian Chamber of Commerce;
Mr. Geo. S. Hougham, representing the Retail Merchants Association of Canada, Inc., Toronto; Mr. C. H. Millard, Sec'y of the Canadian Committee for Industrial Organization, etc., etc.

The following gentlemen represented the Railway Association of Canada:—

Mr. I. C. Rand,
Mr. F. C. S. Evans,
Mr. S. Mills,
Mr. C. P. Riddell, Gen'l Secretary of the Association.

Hon. Ian Mackenzie (*Vancouver Centre*), on behalf of the sub-committee on procedure, presented a report to the Committee, which was agreed to, as follows:—

"Mr. Chairman: Your sub-committee on arrangements have met some of the delegates who are present here this morning representing the Canadian Manufacturers' Association. They will be introduced by Mr. W. C. Coulter, who will be the first speaker, and then Mr. Macdonnell and Mr. W. R. Yendall will also speak on behalf of the Canadian Manufacturers' Association. After the presentation there will probably be some questions.

After that it is suggested that Dr. Harvey Agnew should speak on behalf of the Canadian Hospital Council.

I understand that Mr. Tom Moore, representing the Trade and Labour Congress of Canada, desires to make some representations.

At 4.00 o'clock this afternoon the Canadian Chamber of Commerce will be present. They have four speakers, namely: Messrs. Norman J. Dawes, R. Jellett, R. J. Magor and F. D. Tolchard.

After that the Committee might hear from Mr. Dowd, representing organized labour in another direction.

That will be the suggested program for the day."

The Chairman then invited Mr. W. C. Coulter to take the stand. The witness presented a brief which he read to the Committee and was followed by Messrs. H. W. Macdonnell and W. R. Yendall. At the conclusion of their evidence the witnesses retired and the Chairman extended to them the thanks of the Committee.

Mr. Tom Moore was then called. Following his presentation the witness answered a number of questions and after being thanked by the Chairman he retired.

The following witness was Dr. Harvey Agnew, of Toronto, representing the Canadian Hospital Council. Dr. Agnew offered a few suggestions on behalf of the Council, presented a brief and, after answering a few questions, retired. The Chairman extended to him the thanks of the Committee.

At 1.10 o'clock p.m., the Committee adjourned to meet again to-day at 4.00 o'clock p.m.

AFTERNOON SESSION

MONDAY, July 22, 1940.

The Committee met again at 4.00 p.m. The Chairman, Hon. N. A. McLarty, in the Chair.

Members present: Messrs. Chevrier, Graydon, Hansell, Homuth, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators A. L. Beaubien, J. F. Fafard, S. A. Hayden.

In attendance: With the exception of the delegations of the Canadian Manufacturers' Association and of the Canadian Hospital Council, all those present at the morning session were in attendance again during the afternoon session.

Hon. Ian Mackenzie (*Vancouver Centre*) filed with the Committee a communication from the Montreal Board of Trade under date of July 22nd, 1940, and signed by the Secretary, J. Stanley Cook.

The Chairman then invited Mr. Geo. S. Hougham, representing the Retail Merchants Association of Canada, Inc., to address the Committee. The witness read a brief, answered a few questions. After being thanked by the Chairman he retired.

The Chairman then called on the delegates of the Canadian Chamber of Commerce to make their representations and the following members of the delegation were heard:—

Mr. Norman J. Dawes, President of National Breweries;
Mr. R. P. Jellett, Vice-President of the Royal Trust;
Mr. Allan M. Mitchell, Chairman of Robert Mitchell Co., Ltd.;
Mr. F. D. Tolchard, General Manager of the Toronto Board of Trade;
Mr. W. McL. Clark, Secretary of the Canadian Chamber of Commerce.

Of the above witnesses, Mr. Tolchard appeared on behalf of the Toronto Board of Trade.

Many questions were asked of these witnesses. At the conclusion of their representations the Chairman expressed the thanks of the Committee to the delegation.

The following witness was Mr. Norman S. Dowd, who spoke on behalf of the all-Canadian Congress of Labour. He was followed by Mr. C. H. Millard, representative of the Canadian Committee for Industrial Organization. Many questions were asked of these witnesses. At the conclusion of their evidence they were extended the thanks of the Committee and they retired.

The following corrections in the minutes of proceedings and evidence were approved by the Committee:—

Minutes of proceedings of the evening session of July 22nd, the name of the Honourable Senator St. Père should appear with those of the Members of the Senate in attendance. (Page vii).

At 6.00 p.m., the Committee adjourned to meet again at 8.30 p.m., to-day.

EVENING SESSION

TUESDAY, July 23, 1940.

The Committee met again at 8.30 p.m. The Chairman, Hon. N. A. McLarty, presided.

Members present: Messrs. Chevrier, Graydon, Hansell, Jackman, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators A. L. Beaubien, S. A. Hayden, E. C. St. Père.

In attendance: The four officials of the Department of Labour previously mentioned; the members of the Railway Association of Canada previously mentioned; Mr. Tom Moore and Mr. F. D. Tolchard.

The Committee invited the members of the Railway Association of Canada to make their presentation and the following were heard:—

Mr. I. C. Rand, Mr. F. C. S. Evans, and Mr. S. Mills.

The Chairman suggested, and the Committee agreed, that the witnesses should discuss the various amendments dealt with in their presentation with the officials of the Department of Labour and when some agreement has been reached to submit them to the Committee.

Mr. MacInnis read to the Committee a telegram he had received regarding Bill 98 from Mr. E. R. Sly, president of the Provincial Association of Fire Fighters, Vancouver, B.C.

The Committee then proceeded to consider Bill 98 section by section.

The following sections were adopted: —

28 to 32 (both inclusive) 33 (b) (c) (d), 34 to 42 (both inclusive), 43 (a) to (e) (both inclusive), 44 to 47 (both inclusive) 49, 50, 51, 52 (1) (2).

The following sections stood over for further consideration:—

26, 27, 33 (a), 43 (g), 48, 52 (3).

On motion of Mr. Mackenzie (*Vancouver Centre*), it was unanimously *Resolved:* That sub-section (f) of Section 43 of the Bill be struck out.

Before the Committee rose Mr. Jackman moved, seconded by Mr. Hansell, that the Committee summon Mr. Hugh H. Wolfenden, F.I.A., F.A.S., F.S.S., of Toronto, as a material witness respecting the basis for the actuarial calculations of Bill 98.

The motion was carried unanimously. The Committee thereupon instructed the Clerk to issue the necessary instrument to bring Mr. Wolfenden before the Committee on Wednesday, July 24, 1940.

At 11.05 p.m. the Committee adjourned to meet again at 11.00 a.m., Wednesday, July 24.

ANTOINE CHASSÉ
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277,

July 23, 1940.

The special committee on Bill 98 respecting Unemployment Insurance met at 10.30 a.m. The chairman, Hon. N. A. McLarty, presided.

The CHAIRMAN: Gentlemen, I think the first thing is to hear of the arrangement which has been made by the sub-committee on arrangements of which Mr. Mackenzie is chairman. I understand that the immediate program has been agreed upon.

Hon. Mr. MACKENZIE: Mr. Chairman, your sub-committee on arrangements have met some of the delegates who are present here this morning representing the Canadian Manufacturers Association. They will be introduced by Mr. W. C. Coulter, who will be the first speaker, and then Mr. Macdonnell and Mr. W. R. Yendall will also speak on behalf of the Canadian Manufacturers Association.

After the presentation there will probably be some questions. After that I suggest that Dr. Harvey Agnew should speak on behalf of the Canadian Hospital Council of Toronto.

I also understand that Mr. Moore desires to make some representations.

At 4 o'clock this afternoon the Canadian Chamber of Commerce will be present. They have four speakers: Mr. Norman J. Dawes; Mr. R. Jellett; Mr. R. J. Magor and Mr. F. D. Tolchard.

After that we might hear from Mr. Dowd, representing organized labour in another direction.

That will be the suggested program for the day.

The CHAIRMAN: Then we shall proceed by hearing from Mr. Coulter.

Mr. W. C. COULTER, past president of the Canadian Manufacturers Association, called.

Mr. COULTER:

Mr. Chairman and Members of the Committee:—

The Canadian Manufacturers' Association has made a careful study of the experience under the various national and private schemes for providing protection against unemployment. These schemes fall into two main classes. There are the collective, or so-called mutual insurance schemes under which all contributions are paid into a common pool to be paid out to those who become unemployed; and there are the savings schemes under which all contributions in respect of an employee are ear-marked for that employee. The Association believes that, having regard to Canadian conditions, the latter type, i.e., the savings scheme, is very much to be preferred to the British or "pool" type of plan. Among the differences between Canadian and British conditions which have led the Association to take this view are: (1) the fact that Canada, due to climatic conditions, has a far greater degree of seasonal employment; (2) the fact that, while labour conditions in Great Britain are markedly static, for example in the great coal industry, the same families work generation after generation, labour in an industrially expanding country like Canada is by comparison highly fluid and it is desirable that it should be; (3) the fact that

the distances are so great and that the centres of employment are widely scattered tends seriously to increase both the difficulty and the cost of administration as compared with a country with a dense industrial population concentrated in a small area.

Turning now to the savings type of protective scheme, it will be recalled that the Minister of Labour, in introducing the bill, referred to the fact that, during recent years, over 2,800 individual industries in Canada have adopted profit-sharing co-operative retirement savings funds. The Minister expressed the view that this development is "altogether desirable," and the hope that the present bill would not have the effect of causing any of these plans to be discarded, or, in the future, overlooked. The Association is afraid, however, that, unless definite steps are taken to insure the continuance of existing plans and the development of new plans of this type, the coming into force of the present bill will inevitably tend to discourage the movement. On the other hand, we believe that if legislation on this subject took the form of requiring that such schemes should be established the end in view would be attained with a fraction of the dislocation, inequity and expense that are inevitable under a "pool" scheme. Even if the Government is determined to proceed with the present pool scheme, we propose to suggest that clauses should be added providing that if an overwhelming majority, say 75 per cent, of the employees in a particular industry vote in favour of a compulsory savings scheme, the details of which would of course be set out in the bill, such industry should be allowed to contract out.

Coming now to the bill before the Committee, we wish to point out that copies of the bill only became available on Thursday last and it is submitted that five days give nothing like sufficient time to make a thorough study of such a complicated measure.

At an interview granted by the Government on May 15th, a resolution was presented which had been unanimously passed at a meeting of some forty representatives of fifteen national associations directly interested in employment, reading as follows:—

Whereas it has been intimated that an Unemployment Insurance bill will be introduced at the coming session of Parliament;

Be it resolved that, if any bill is introduced, it should not be proceeded with at the coming session of Parliament, but that an opportunity should be given for consideration of the bill by all interested persons and groups, so that all approved suggestions may be incorporated in any bill which may be proceeded with at a subsequent session.

We believe that this bill is beyond question one of the most important measures ever brought before Parliament. It is bound to have the most far-reaching social and economic effects, touching not merely employers and employees, but the community as a whole. That being so, we submit that an opportunity should be provided for a full discussion of the many debatable points that inevitably arise in a measure of this kind. This, it may be recalled, was the procedure adopted in drafting the first Canadian workmen's compensation act of the compulsory state insurance type, that of Ontario. After extended preliminary study by the draftsman, the then Chief Justice of Ontario, Sir William Meredith, a prolonged series of public hearings were held at which employers, employees and experts on special points were given an opportunity of presenting their own views and criticizing those of others. The result was that the bill as finally passed proved an immediate success, has functioned on the whole satisfactorily for over 25 years, and incidentally has served as a model in other jurisdictions, both in Canada and abroad. If that was a sound method of procedure in the case of workmen's compensation, it is submitted

[Mr. W. C. Coulter.]

it is equally sound and necessary in the case of the far more complicated and far-reaching question of unemployment insurance. If such a procedure were adopted, the Association would be prepared to co-operate in every way possible.

A further argument in support of our contention that this bill should not be rushed through at the present session is that it will inevitably entail a substantial amount of novel and troublesome administrative work on the part of employers at a time when many of them are focusing their attention on war production, and others are handicapped by losing experienced men who enlist in the armed forces. Even in peace time, the setting up and putting in working order of such an elaborate and complicated scheme would be a problem involving great difficulty and considerable inconvenience and dislocation. The seriousness of these considerations is greatly intensified under war conditions. The Association feels, as I have said, that this is an added reason for refraining from rushing the bill through at the present session and putting it forthwith into operation.

What I have just said is just a general observation on the bill. I am going to call the secretary of our committee to bring forward some other phases of the work. Mr. H. W. Macdonell.

Mr. H. W. MACDONELL, Legal Secretary, Canadian Manufacturers' Association, called:

The CHAIRMAN: Might I just make this suggestion to the committee? I think it would be as well if we heard their representatives Mr. Macdonell and Mr. Yendall; would that be in order?

Some Hon. MEMBERS: Agreed.

The WITNESS: Mr. Chairman and members of the committee: I should begin by saying that as copies of the bill only became available on Thursday last we have not been able to go through the bill clause by clause and prepare representations on the individual clauses, which you will agree, sir, are rather complicated and would really require the advice of a trained actuary. The observations that I am going to make therefore deal in the main not with the actual provisions of the bill but are general in nature and lay down certain principles which we think should be carefully considered by the committee and by the house.

The study which the Canadian Manufacturers' Association has made of the whole question of unemployment insurance convinces it that it is unsound to introduce a system of unemployment insurance without establishing at the same time a system of unemployment assistance for those who never become eligible under the insurance scheme or exhaust their right to benefit thereunder. The insurance scheme laid down in the bill will only take care of a limited number of unemployed for a limited length of time. If widespread unemployment should continue for a length of time there would inevitably be a large number of unemployed who would either never become entitled to benefit or would exhaust their right to benefit. In these circumstances, unless a supplementary unemployment assistance scheme, with a means or need test, is set up along with the insurance scheme there is grave danger that the same thing would happen in Canada as happened in Great Britain prior to 1931, namely, that there would be irresistible pressure to "let down the bars" and continue to pay unemployment benefit regardless of contribution. As is well known, the British Unemployment Insurance scheme in 1931 was in debt to the treasury some £105,000,000 sterling and had virtually broken down as an insurance scheme. The fact is, it is submitted, that unemployment insurance is the top storey of the British edifice and to adopt a scheme based on the British unemployment insurance scheme without at the same time inaugurating an unemployment assistance scheme is to set up the top storey of the edifice without its foundations. The next point has to do with what we think should

be a principle incorporated in this bill; that is, the principle of differentiating in rate of contribution between one industry and another on the basis of the unemployment record over a period of years.

2. Pooling System.

It is submitted that there should be some differentiation in rate of contribution between different industries on the basis of the degree of risk of unemployment as shown by experience. Unless this principle is adopted it will mean that the contributions paid in by industries in which employment is comparatively steady will go to provide benefits for the unemployed in industries where employment is intermittent. Further, it is generally true that in the industries where employment is comparatively steady, wages are, for that very reason, lower than in industries where employment is not steady, the higher wages in the latter being paid for the purpose of helping the worker to tide over his periods of unemployment. Thus the low-wage, steadily-employed worker is by the present bill required to pay, out of his low wages, contributions to provide benefits, not for himself,—for his work is steady,—but for the high-wage employee in the industry where work is not steady. This, it is submitted, is a serious and inequitable anomaly.

The difficulty arises, obviously, because contrary to the principle which is followed in all forms of insurance properly so called, fire,—life, accident, etc.,—no account is taken of the degree of probability of claims being made. No doubt it would be most difficult to differentiate accurately between various classes of occupation in respect of the risk of unemployment and fix rates that were actuarially justifiable. Unemployment is clearly very different from death and fire and accident so far as predictability is concerned. It is submitted, however, that there is at least one consideration which suggests that, on this question, English precedent is not necessarily a safe guide for Canada. This country has a severe winter—

Canada has been called an eight month country by some people.

—and if any occupations which are affected by winter conditions are to be included in the scheme, their unemployment experience over a period of years might well, it is submitted, be taken into account in determining what rate of contribution they should pay for the substantial benefits their record shows they are certain to derive. Further, the question should, it is submitted, be seriously considered, whether the unemployment record of various industries over a period of years could not be made, in part at least, the basis for fixing the rates of contribution.

That is the position as between one industry and another or one whole group and another. Then there is the question of the position as between one individual firm and another. That is the question of course of merit rating and we admit that it is a very difficult question.

3. Merit Rating.

In addition to the question of differentiation between industries on the basis of employment experience, there is that of differentiation between individual firms. Unless some method of merit rating is devised under which a firm having favourable employment record would benefit thereby, there will be no incentive for an employer to maintain steady employment for his staff, but on the contrary he is penalized for so doing. There is danger of this resulting in employers discharging workers who might otherwise be carried over quiet periods. In other words there

will be a tendency for employers to adopt a policy of "a maximum of employees on full time, and the rest on the fund", instead of the policy of keeping a maximum of employees in at least part time work which has been followed by the majority of Canadian employers in periods of slackness.

By Mr. Roebuck:

Q. I do not understand that. How does it penalize the man who has the steady staff?—A. He goes on paying in contributions for all the people who are on his payroll.

Q. Whether they are temporary or not, he pays the contributions, does he not?—A. If he lets go—if he runs into a slack period and discharges a number of people, he does not pay contributions in respect to them.

Q. When they are not employed?—A. That is it.

Q. I see.—A. So far as the bill itself is concerned, as I have said, our committee felt that is was not in a position to get down to brass tacks, so to speak, on these various provisions of the bill. We felt we really required much more time to do that. There are one or two provisions, however, that I might just mention before sitting down. The one that our committee raised the most serious question about was the second schedule; that is, the rates of contribution. And the point there, of course, is this: we understand that the calculation is that when the whole tale is told employers and employees will contribute an equal amount, some \$28,000,000 each in the course of a year.

The CHAIRMAN: Approximately.

Mr. ROEBUCK: \$23,000,000 that was changed, too, yesterday.

The WITNESS: Thank you. The feeling is that if employers and employees are going to contribute equally, as I say, when the tale is told, should it not be possible to make their contributions equally week by week?—A. A number of employers at our meeting last Thursday representing large industries with payrolls of 1,700 and upwards—one or two of them—anticipated very serious administrative trouble and expense in operating this present section. They said that this slight differentiation in rate week by week between the contributions to be made by employer and the employee would mean this, that every employer would have to classify every employee every pay-day; and they raised the question whether it would not be possible to make that weekly contribution equal, the same for the employer and employee. And secondly they pointed out that if that contribution could be expressed in the terms of percentage of payroll it would, of course, still further simplify the work for employers and employees.

Mr. ROEBUCK: But there are only four classes, because the 25-cent rate applies to three classes and the 27-cent rate applies also to three classes; that is, the employer's contribution.

The WITNESS: Yes. Still, sir, it would be necessary for every employee to be classified every week, the pay for that week examined and decision made as to which of those classes—even if there are only three—you would put them in.

The CHAIRMAN: Are you finished, Mr. Macdonnell?

By Hon. Mr. Mackenzie:

Q. Were you advocating the flat rate?—A. Yes, that was the idea, if the contributions of the employer and employee could be equalled week by week and could be expressed in terms of percentage of pay.

The CHAIRMAN: You are in favour of the graded plan, then, rather than the flat rate plan. For instance, in the previous act there is a flat rate plan. You prefer the gradations that this act provides rather than that, do you not?

The WITNESS: I have no instructions on that point.

The CHAIRMAN: You favoured it in 1935.

The WITNESS: Yes.

Hon. Mr. MACKENZIE: You made strong representations in 1935 before the Senate committee.

The CHAIRMAN: Are you finished, Mr. Macdonnell?

The WITNESS: Yes.

Mr. COULTER: We should like to present another phase of this which has already been mentioned. Mr. W. R. Yendall, a member of our association, who has worked very hard in a study of this problem, would like to have something to say further on the question of the non-pool plan; that is the savings plan. I now call on Mr. W. R. Yendall.

Mr. W. R. YENDALL called.

The WITNESS: Mr. Chairman and gentlemen of the committee, when the Industrial Relations Committee of the C.M.A. took hold of this matter about a year ago the first thing that seemed to me necessary was to find out what my own men thought about it. I have a hardware factory at London, an organization of about 200 people, and we frequently meet around the clock and discuss matters of common interest. So I asked the boys to come together at twenty minutes before quitting time one night and I said, "You have read in the newspapers that Mr. Hepburn says he is going to bring in an unemployment act of his own, and I thought perhaps we ought to begin to think about it. I do not know whether you know anything about unemployment insurance, I did not know very much about it until a little while ago. I thought we might have a little talk about the 1935 act which was declared unconstitutional. Now, I am going to explain this act to you as I see it and answer any questions you may ask, and after I have finished I have a memorandum mimeographed for you to take home with you and discuss it with your wife over the week-end and to make up your own minds about it. You may discover while I am discussing this thing that I do not think very much of it, but I do not want that to influence you one bit. If you think this is a good thing, I want you to say so because that will help me in making up my own opinion." So I went over the salient features of the contributions and benefits and provisions of the 1935 Act. They asked quite a few questions and there was an open discussion for fifteen or twenty minutes, and then they seemed to be through for the time being. I said, "Think it over during the week-end, and on the second page of that memorandum you will find a ballot, and I would like to have you turn those ballots in. You do not need to sign them. Nobody is going to crack down on you for your opinion. I want an honest expression as to whether you want a plan of this kind." They all took ballots, and as the meeting was breaking up there were a number of exclamations opposed to the unemployment insurance, and some were rather profane. Every man in the plant voted. Only two men did not sign their ballots. At that time there were about 135 men in the plant. Two men who were foreigners wrote that they did not understand. Three men voted for unemployment insurance, and the rest said no. They said, "This Act would have been of very little benefit to us even during the depression because we always had at least three days a week and we got along very well, and why should we contribute to someone else's unemployment". When this other scheme was evolved it developed rapidly and at the C.M.A. convention in Winnipeg there was a discussion. I again went to the men and submitted a new plan, this C.M.A. plan, and explained what it was and how it worked. At that time we had nearly 150 men in the plant besides, of course, our salesmen and office help, and it is worth noticing that a great many of these men had recently come into the organization—they were not men steadily employed there over a period of

[Mr. W. R. Yendall.]

years—quite a large section were new men—and I went over the new plan by which they were to accumulate through war savings stamps in two years \$100. I will touch upon the details in a moment. I showed them the gist of it and asked for a discussion. I expected that the discussion would last about fifteen minutes, but they talked back and forth for fifty minutes, and the first question was: "Why do we have to stop at \$100"? I said, "Do you mean that you would like to carry it on beyond the \$100 certificate and accumulate an emergency fund for other purposes?" They said, "Yes, that is the idea." I said, "How many would like to take this emergency savings account up to \$200 or \$300?" There was quite a general response. When we had finished the discussion I said, "Are you willing to have a show of hands?" They said, "Yes." I said, "How many of you still think the 1935 Act would be suitable?" There was not a single hand went up. Now I said, "How many of you would like to have this C.M.A. plan set up in this shop as it is?"; and the response was 100 per cent; and yet that plan involved the workmen contributing 75 cents a week and the employer 25 cents a week, a total of \$1 a week or \$52 a year, or \$104 in two years—the amount of money they would draw, possibly a little bit more than they would draw from the ordinary Workmen's Compensation Act.

By the Chairman:

Q. The employees contribute regardless of the wages received, at the flat rate?—A. Yes; the flat rate, and nobody objected to it. The idea is that they are contributing for themselves, as I will explain in a moment.

The next day 45 employers of the city of London at a luncheon considered this plan and talked about it for an hour and twenty minutes on both sides and down the middle. At the conclusion I said, "Gentlemen, are you willing to have a show of hands at this time?" The answer was, "Yes." I said, "How many of you would prefer the 1935 plan?" There was not a hand. I said, "Would you set up this Canadian Manufacturers' plan if it was available for your own staff?" Every man—100 per cent—signified their willingness. Now, gentlemen, let me explain what this Canadian Manufacturers' plan is. It developed from the fact that my men did not like the old Act, and I found out why. Because it is a pooling proposition. That is the fault with all previous forms of unemployment compensation or insurance; they are pool schemes in which a great many people pay in but only a few take out. That is against the sentiments of the average, everyday worker all along the line. They do not like that idea. It is an unfair idea, and I do not believe it could be maintained in this country very long in view of the fact that in the United States the workers pay in nothing at all, except in five States.

The plan of the Canadian Manufacturers' Association briefly is this. Every week, as I explained to my men—and I would like to make this point, the only essential in this plan—is that every dollar that the worker puts into this plan he gets out for himself. When he has accumulated enough stamps he gets a \$100 certificate or a \$200 certificate, at whatever the limit is fixed. He draws 3 per cent a year on it until he passes out and then it may go to his family, or, if he retires, it can be cashed in by the government. The money all goes into the hands of the government. The part that appeals to them is that it is an individual reserve against unemployment for each employee.

The moment we start from that individual point of view an immense number of difficulties disappear. The history of unemployment insurance all over the world has been a very grievous mess. Nobody knows where it is going. The situation in the United States is particularly bad at the present time; it is bad in England; it is bad everywhere. You have clamourings all the time between this class and that class, between this group and that group as well as pressure from all sorts of interests for changes all the way through. It is starting on a journey to an unknown port in very stormy weather.

These difficulties melt away the moment you adopt the principle—and it is good liberal doctrine—of the protection of the rights of the individual.

I am going to deal with figures in outlining this plan and I want it understood that these figures are tentative. A man who pays into this scheme draws out every cent he puts in for himself.

Hon. Mr. MACKENZIE: Has your plan been adopted anywhere in any country?

Mr. JELLETT: It is brand new, Mr. Mackenzie, but it is simple and it appeals to everybody.

By the Chairman:

Q. I do not want to interrupt you but is your program compulsory?—A. Absolutely; it would have to be compulsory. I think one day when we had a little conference with you you did not favour compulsory savings, and I said "Amen." But when I came to look it over I felt differently about it.

But the men are all for it. The plan, for instance, would be to put in each worker's pay envelope \$1.00 worth of stamps, unemployed reserve stamps or war savings stamps—I do not care what kind of stamps you use—and 75 cents of that is deducted from the worker's wages, and 25 cents or $33\frac{1}{3}$ per cent bonus is chipped in by the employer.

In certain industries you might have a different rate, say, 40 cents or 60 cents deducted from the man. I do not care about any of these points; the essential feature is that that money belongs to that one man. When he has accumulated \$100, those stamps are exchanged by the government for an unemployment reserve certificate. His name and address will be registered in Ottawa. The money has gone into the hands of the government and it is there. But that certificate, to be fair, ought to bear interest, because it is going to be money that is deposited with the government. There is no reason why a workman who deposits \$100 for his own unemployment reserve should not receive the same treatment as a man who buys a \$100 bond. He gets interest on it; why should not the workman have interest on the money he puts up?

If the government thought it safe you could fix it at \$125 or \$150. I have no doubt whatever that many employers would run this scheme up to \$200 or \$300. But say as a minimum \$100—a man has his \$100 saved up; he has put up that money, his employer has helped him, he stops paying and his employer stops paying. As long as he is employed he has no further contributions to make, instead of going on for ten or fifteen years paying into a fund from which he never draws a dollar, being steadily employed. And remember, gentlemen, one-half of the employed people in this country are steadily employed. That is a point you must not forget.

By the Chairman:

Q. What was that?—A. One-half of the persons employed in this country are steadily employed.

Q. In the company?—A. In the country—in the whole country. In case it may be thought that I am romancing there, let me say that last fall I got up a form and twenty-five of my employer friends in London were kind enough to give me the facts of their pay-roll for the last three years showing how many lay-offs they had had and how much short time there was. After collating those figures we were surprised to find, and a good many other people would be surprised to know, that on adding the number of employees together more than half of the employees in these twenty-five establishments had steady employment and no lay-offs or no short time in three years.

[Mr. W. R. Yendall.]

By Mr. Reid:

Q. Have you any figures for the country? I would doubt that statement, and I should like to have the figures for the whole country.—A. That is just a sample. London is a sample of an industrial town. However, we will let it pass.

By Mr. McNiven:

Q. For what years were those figures taken?—A. 1937, 1938 and 1939.

Q. Did you make an examination for the years 1932, 1933 and 1934?—

A. No. Of course we realized conditions were abnormal then. The reason the men do not like pool insurance is that there is such a large section of workers who are steadily employed. You have all your office help, all your clerks and all your salesmen who come under the scheme.

Retail merchants as a rule carry the same staff year in and year out. I have in my portfolio records from nine employers in London who turned in their rolls showing no lay-offs and no short time in three years.

In the textile lines, for instance, the workers are generally steadily employed although at low rates. The returns were turned in from a number of different lines; they were not just pertaining to one line.

By Mr. Pottier:

Q. Your plan puts me in mind of the credit unions that we have in some parts of Canada. We have a number of them in Nova Scotia.—A. Yes.

Q. One of the difficulties there arises when they come in to draw or borrow from the fund. Can you give us any details of that?—A. That is the next point. An employee now has his \$100 employment reserve certificate and he stops paying into the fund. His employer also stops paying into the fund. He is laid off; not a voluntary lay-off; he cannot draw his money out. When he is laid off his employer gives him a certificate simply stating he has been laid off on a certain date. He takes his certificate up to the bank with the certificate from his employer that he had been laid off and he draws may be \$5 a week or \$8 a week, or \$10 a week, as long as he is unemployed. That reduces his certificate, but the bank for security holds his certificate which is always worth \$100 until he has borrowed it all down. After he has borrowed \$50, or maybe only \$10, he returns to work and immediately his contributions and the contributions of his employer resume.

By Mr. Reid:

Q. And if he does not return he is broke in ten weeks?—A. It will be the law that the moment he comes back to work he makes his deposit and the employer makes his contribution. When that amount through the stamp system is reached the loan at the bank is redeemed and the employee gets his unemployment certificate back at the full face value of \$100.

You see what you have eliminated. You have eliminated a lot of policing; you do not have to run around to find out whether that man is actually employed and whether he is entitled to draw benefits. He is drawing his own money, and he is going to be careful about it. You do not have to check up on everybody to see what they are going to do.

There are any number of other advantages, and one thing that appeals to me especially, gentlemen, is that it creates the right atmosphere between employer and employee with respect to co-operation in financial matters. That is an extremely important item. Peace in industry is only possible when there is a friendly feeling existing between employee and employer. That is the thing we are working for all the time. It is making very rapid progress, and we should do not do anything to hinder it. If we develop the idea among the

workers that they should not look to the employers for any benefits but look to the government, you will not achieve peace in industry and will experience the difficulties experienced in the United States. They have had more labour trouble in the last few years than they ever had before. I think we must conserve the feeling of friendship and the co-operation between employer and employee, and you can do it one way by this method.

I should like to say that I believe if this matter were put to a plebiscite, which of course is hardly practicable—but if this plan were submitted right across the country it would be given practically the same line of support that I found in my own plant and that has been found in other plants.

I should like to mention this item. I think there is a general impression that organized labour is very strongly in favour of unemployment insurance. I have a memorandum here clipped from a circular sent to its members by the United Automobile Workers. It states as one of its objectives: "Unemployment insurance or social security for workers earning less than \$1,200 per annum".

Right in that organization there is apparently no sentiment for unemployment insurance except for people who are close to the subsistence level. They put the level themselves at \$1,200, and from this article it would seem that they do not want general unemployment insurance, not even in organized labour. I cannot speak for organized labour, of course, but there is—

By Mr. Pottier:

Q. What are you quoting from?—A. A brief on Existing Automobile Tariffs as gotten out by the Canadian Region of the United Automobile Workers. I suggest that that be checked up.

Q. Is that a branch of the C.I.O.?—A. Yes, I think it is. One thing that this system would do would be to practically finish the job. If you put it in it is there, and there is not going to be constant pressure and bickering for all sorts of concessions and liberalization. In the United States, having started with \$10 a week allowance, they have it up to \$16 a week. Now all of the authorities in the States, even the proponents of this scheme, have taken the position that there is not a single State with unemployment insurance that is liberal enough, and that all of them need liberalization. They are just beginning with it, and there is no telling how far the thing may go because it points the way to all sorts of pressure from radical groups.

By Mr. MacInnis:

Q. Would you agree that these schemes in the United States are liberal enough; that they do represent a decent standard of living for a man when he is unemployed?—A. I say that the scheme in the United States, being a pooled scheme, is a very objectionable scheme. I am pretty well acquainted with the affairs of one institution in the State of Illinois and that institution has deposited with their State unemployment body, according to law, over \$66,000, and their men in their own shop have only drawn benefits of \$3,300. That is quite a common case.

By Mr. Reid:

Q. Is it not a fact that industry in the United States took a far different attitude from what you are taking? Industry in the United States pays the bill with the exception of assistance from the State.—A. The gentleman is right up to a point, that is, that industry pays the bill, but industry never consented or proposed this bill. In fact, the bill in the United States was forced down the throats of the States and of industry and labour alike by the brain trustees in Washington, between ourselves. The federal government had no power to pass the Unemployment Insurance Act, but they were determined to put it in. So they laid a tax of 3 per cent on all payrolls in the United States and they said, "Now,

[Mr. W. R. Yendall.]

gentlemen, if you will pass an Unemployment Insurance Act, we will rebate to you 90 per cent of what we get on the payroll tax." Up to that time not a single State in the United States had passed an Unemployment Insurance Act. Organized labour was against it. Mr. Green took a position against it constantly. The best friends of labour were opposed to it. Nobody wanted it. It had been up for years and everybody turned it down but it was forced in by that tax-offset plan.

By Mr. MacInnis:

Q. That was not the point raised by me. You made the statement that the amounts paid in benefits were not considered high enough. My question to you was whether you considered \$10 a month or a week, or whatever it may be, liberal enough compensation for a family unemployed?—A. I do not think that I care to go into that question at the present time as it would lead into a long argument.

Q. You raised the question.—A. No, I simply pointed it out. I just mean that the situation is never settled and is a constant nuisance to legislative bodies to the end of time.

By Mr. Graydon:

Q. Why did you set the limit at \$100?—A. The original idea under the 1935 Act was that benefits would run somewhere between \$78 and \$100, according to the number of dependants, and so on. My suggestion was that this would cover about the same amount of ground or pay the maximum benefit payable under the Workmen's Compensation Act. I know that the men generally would like to have a plan adopted that goes beyond that figure, and I am sure that the majority of manufacturers would be all for it, because we are intensely interested in improving the welfare of our workers, contrary to some unjust comments that are made. We work harder at that job than anybody else that I know of. It would conduce greatly to the peace in industry if each man had a little emergency fund.

By Mr. Pottier:

Q. Did I understand you to say that the maximum in the 1935 Act was \$75 to \$100 of a benefit?—A. Would it run much larger than that?

Q. The maximum under the present Act is seven hundred and twenty-eight a year.—A. There are a good many different conditions here. The benefits under that Act were \$6 a week, plus allowances for dependants, assuming that a man had paid in forty benefit weeks, and there was a provision that if he had paid in for a number of years a certain number of additional payments would be added to that amount. Is that correct, Mr. McLarty?

The CHAIRMAN: Yes, although I think it would aggregate much more than the figure you mentioned.

The WITNESS: In that case it is immaterial to this scheme.

By Hon. Mr. Mackenzie:

Q. I see here a very excellent argument regarding the matter by Mr Nicholls in "Industrial Canada." He says:—

The welfare plans of Canadian manufacturers are of a great variety of types. A substantial number of the members who replied to the circular stated that they had group insurance or an old age pension plan in force in their plant. Some of the group insurance was life only, some sickness, total disability and accident as well. Some firms not only had group insurance of all these types in force, but had also provided for the payment of pensions upon retirement. Admittedly, however, none of these schemes could properly be classified

as an unemployment protection plan. They are a protection against unemployment due to old age, sickness or accident, it is true, but, except to the extent that the policy has a cash surrender or loan value, they are of no assistance to the unemployable worker who is laid off through economic causes.

Would you agree with that?—A. Yes; I read that when it was first written.

Q. Do you agree with it?—A. That statement is correct as far as it goes, but it did not involve compulsory savings. It did not involve an amount which was earmarked and could not be used for any purpose other than unemployment insurance.

Mr. Chairman, I think that I have said enough, possibly too much.

The CHAIRMAN: Not at all.

By the Chairman:

Q. There was one question I was going to ask Mr. Macdonnell. In 1935—I have the minutes here—I do not think there was any question at that time but that you favoured a graded scheme. The scheme Mr. Yendall now submits is, of course, the flat rate scheme. It is the same in principle as the flat rate scheme, is it not?—A. A variable rate could be used if it is desired. Where the wages are low the worker would not want to pay any more than 30 or 40 cents.

Q. What do they pay under your scheme?—A. In my plan the suggestion was 75 cents, and the men said "Yes." If that contribution by the men weekly does not exceed 5 per cent of their wages, they are all for it. That is my experience. There is a little hesitation to pay over 5 per cent. Workmen generally are in favour of accumulating their own savings accounts.

In Princeton university about three years ago a group made an analysis of the various plans of assisting employees in various parts of the country. They took up the study of the stock certificate buying plan and the profit-sharing plan.

Q. All these plans were investigated by the Senate subcommittee under Senator Vandenburg?—A. Yes. But the point I wanted to make was that they showed right through the depression that the most popular scheme amongst the employees was the personal savings account. That is growing rapidly all over the country. By that means we encourage the men to accumulate their own savings for their own purposes, and they handle their own money.

Mr. MACDONNELL: If I understand the question correctly, the answer is that in 1935 what we deprecated was the flat rate as between various industries, just as we are saying now. Some means, we think, should be devised for differentiating the rate of contributions between the textile industry and the construction industry. That is what we are saying.

The CHAIRMAN: I think you used the words that the low-grade man would pay the same as the higher paid man.

Hon. Mr. MACKENZIE: This is what you said when appearing before the Senate committee:—

The first point I want to speak of is the flat rate system of contribution. I entirely agree with what Mr. Dodds has said. The result of the application for that principle is going to be that the low paid man is going to contribute equally with a high paid man and he is going to get very little benefit, whereas a high paid man is going to get the benefit.

Mr. MACDONNELL: That is perfectly true. What we said then, and what we are saying now, is that we think there ought to be some differentiation between the man in the textile industry and the man in the construction industry.

[Mr. W. R. Yendall.]

May I make a reference while I am on my feet to what Mr. Mackenzie quoted from in "Industrial Canada". His point, if I may say so, is quite well taken, but our answer is this: We quite agree that the schemes mentioned there do not specifically deal with protection against unemployment and, therefore, do not take the place of this legislation. But what we are saying is that schemes of that kind can perfectly well be extended to cover protection against unemployment.

By the Chairman:

Q. In your remarks you said you thought that unemployment insurance should be accompanied by unemployment assistance.—A. Yes, sir.

Q. I think that is in accord with the report made by the Dominion-Provincial Commission. But your argument was predicated on the fact that you thought this Act was liable to become actuarially unsound. Are you familiar with the provisions of this Act which require the advisory committee to report annually so as to assure the actuarial soundness of the plan?—A. Yes, sir, I have taken note of those provisions.

Q. You referred to the British Act. I think since 1934 the British Act has been maintained on an actuarially sound basis and has been functioning with great efficiency. I think that is correct?—A. Yes, sir. I would suggest precisely for the reason that since 1934 the unemployment assistance scheme has been working with great efficiency, and employees who never become eligible under the insurance scheme are taken care of.

I may say that one of the British experts told me when I discussed with him the question of whether the scheme employed under the British Act could safely be moved holus-bolus to Canada, "I think it would be placing the cart before the horse." I said, "What do you mean?" He said, "We consider that the foundation schemes here are the poor law, first of all, and secondly, our unemployment assistance scheme. We regard the insurance scheme as the top story of the edifice."

Q. If this Act is kept actuarially sound then, of course, it removes some definite segment from those that have been under welfare, and I have no doubt that when the commission's reports are considered there would be a more scientific measure of dealing with unemployment.—A. We appreciate, sir, that an effort has been made, and we agree that it is a very sound effort that has been made in the bill to guard against that. But we still wonder whether under long continued and widespread unemployment there would not be a good deal of grief for employees and employers.

By Mr. Pottier:

Q. You do not recommend the merit scheme, so-called?—A. We also would like to see the merit rating scheme, that is, with a differentiation between those I have mentioned, on the basis of their record.

By Hon. Mr. Mackenzie:

Q. That would not be insurance?—A. We agree that if it goes beyond a certain point where the mutual insurance principle is violated you have the same problem as with workmen's compensation. Of course, we appreciate it is very difficult, but we still think that it should be done to the extent we have outlined.

By Mr. Reid:

Q. In view of the fact that you made quite a study of the bill in 1935; in view of the fact that you made representations before the Senate committee on that bill, and in view of the fact that the present bill is fundamentally the same as the 1935 bill, how does it come that you are advocating to this com-

mittee that we do not proceed at this session with the bill, when there is very little difference between the present bill and the bill of 1935?

In view of the fact that the present bill is fundamentally the same as the 1935 bill, how does it come that you are advocating to this committee and to the government that we do not proceed at this session with this bill, when there is very little difference between the present bill and that of 1935?—A. I submit, sir, that there are sufficient differences between this bill and the 1935 bill to make it essential that full opportunity should be given to study the provisions of this bill.

Q. It has not dropped out of a blue sky?—A. That is true.

Q. The country has been discussing it, and you gave the bill in 1935 every consideration, every study?—A. We still submit, sir, that there are important changes between this bill and the 1935 bill.

By Mr. Mackenzie:

Q. Have we not met most of the objections in this country that you raised before the Senate committee in 1935?—A. I cannot admit that, sir.

Q. I think we have.

The CHAIRMAN: Are there any further questions?

Mr. COULTER: Mr. Chairman, I would like to say in closing—I do not know that any of the others of our members wish to say anything—but there are a number of individual points which we have not had time to discuss relating to this particular bill. Our first request is one for delay, if possible. For example, we do not feel satisfied on a casual examination of the payments and benefits that they will provide the money required. Under the last Act 25 cents per week per employer and employee and 10 cents for the government provided total receipts of 60 cents per week, and payments of \$6 per week were provided with some additional payments covered for dependants. In other words, it was ten to one. This time you start out with 40 and 34 to 1 of the employee contributions, and taking the employer contribution as equal to the employee's contribution—I am figuring roughly—if you take the 34 to 40 as an average of 37, or, say, 36, it reduces to 18 to 1 less the 10 per cent the government provides and you have a basic rate of sixteen times against ten times with a plusage for dependants last time. It would, therefore, appear without facts to substantiate it that you have considerably increased the payments outward as against the account that is going to be paid in, and we have not had time to get expert advice on just how this would work, and it is going to be difficult to get it.

The CHAIRMAN: The actuarial report was tabled yesterday.

Mr. COULTER: Yes, I tried to read this actuarial report, but I only got it this morning. I did not see a very positive statement. I did see the statement that there is provision for making the changes when you find out. It is, of course, admitted that for a period of two to five years the fund cannot run into the whole, it will be when you get to the point where a man with a five year credit can get 300 working days' allowance on a run, apparently, under this Act.

There is another point I would like to deal with. Apparently, the time under which a man can draw under this new Act is greatly extended, and that is further going to increase the payments after three, four or five years have passed by with this bigger backlog to pull on. So it would look to me as if there was a possibility that the committee which would have to recommend this today would have to recommend very serious increases in rates, and I am afraid this would fall heavily upon the manufacturers. There are a lot of questions in the way which we do not wish to take up at the moment, but there are some we would like to send some special information in on later.

[Mr. W. R. Yendall.]

Mr. McNIVEN (Regina): Mr. Yendall, you referred to the twenty-five manufacturers in London. Have any of those manufacturers put into effect any scheme for the benefit of their employees between 1935 and the present time?

Mr. YENDALL: Did you say twenty-five employers? It is forty-five employers. A number of them have plans of one kind or another for employee benefit or welfare. I cannot say whether they have been put in since 1935, and I have not a compilation of what those are for the city of London alone. The C.M.A. made a compilation of this sort a short time ago and it was published. If so, the committee has that information. A great many plans for employee welfare are used by the members of this association.

Mr. McNIVEN: Did they have those plans in effect prior to 1935?

Mr. YENDALL: Some of them were prior to 1935, and a great many since 1935.

Mr. McNIVEN: Were any of those plans effective in taking care of unemployment in a particular factory?

Mr. YENDALL: Oh, yes. I cannot answer that question intelligently because I have not the facts, to be frank; but I know that something has been done in that direction. However, manufacturers as a whole, have been concerned about this matter and have tried to find a satisfactory unemployment scheme. There have been so many difficulties that we have not been able to find anything until just now. That is the situation. We do not claim any age for this scheme, because it has developed in the last few weeks.

Mr. McNIVEN: Are you familiar with the plan of the International Harvester Company at Hamilton?

Mr. YENDALL: Yes. I read it some time ago. I do not remember offhand the details.

Mr. McNIVEN: Do you know whether London Manufacturers have adopted a plan similar to that?

Mr. YENDALL: General Motors has a loan plan for men temporarily employed where they let them draw on their account and pay back when the men come back to work.

Mr. McNIVEN: The International Harvester plan is much more comprehensive.

Mr. YENDALL: As I remember, it was a very good plan, and I had a little correspondence with the folks in Chicago at that time. It is a good plan, I agree, but hardly a plan that could be applied across the country generally—not as simple a plan as this present C.M.A. plan. One of the main features is its simplicity; it is easy of enforcement and general satisfaction.

The CHAIRMAN: Mr. Coulter, in connection with the suggestion that you wanted to go over the sections clause by clause we will be glad to provide you with any facilities giving the direct differences between this and the previous Act which I think you have studied very carefully, and if you have submissions to make we wish you would try to put them before us by tomorrow morning.

Mr. COULTER: There is no assurance that we can have any extended time, is there?

The CHAIRMAN: I do not think we could give you any such assurance. This is a committee of the house and we have got to do our work.

Mr. REID: Mr. Yendall, might I ask you one question. I was rather impressed with your statement about the number of employees you had and about taking a vote after you had explained your system of the savings certificates to them. Rising out of that would be the question: supposing that someone else went up and spoke to those men and outlined the new Act and you were not present, do you think the vote would be the same?

Mr. YENDALL: I think if it were explained in the same way—I will not say that—I will tell you what I will do, I will take this plan to any group of workmen in this country and explain it and get the same vote—I will not say exactly the same vote but pretty close—a large preponderance.

Mr. REID: I would like to take you up on that if I had time.

Mr. YENDALL: I am quite prepared to do that because I have had a lot of contacts with working men across this country from one end to the other and I think I know them pretty well.

Mr. ROEBUCK: You said that you gave to your men a memorandum of explanation of the bill prior to their vote; have you got a copy of that memorandum here?

Mr. YENDALL: No, I may have one in my bag at the hotel and I shall be glad to send you one.

Mr. ROEBUCK: It will be interesting to see the memorandum upon which they based their vote.

Mr. YENDALL: Of course, we generally assume that folks who are doing these things are honest.

Mr. ROEBUCK: Nobody questions your honesty. That has never been raised. Nobody here has raised that question; this in an argument; and one might naturally like to know upon what they voted.

Mr. YENDALL: It was not argumentative.

Hon. Mr. MACKENZIE: It was expository.

Mr. YENDALL: It was expository purely. It was the composition of the Act; because I said, "there is no matter of prejudice in this matter at all; if you folks want it I shall probably be for it too; it will change my opinion if you want it." I am not fooling myself; I am beyond that; I want to get at the truth and the facts, and I am satisfied I got them in that case. If an employer in this country goes before his men with a proposition you know that in a great many cases the mere fact that he is their own employer who brings up the matter must cause a prejudice against it. That is true in a great many cases. When a man can talk to his own employees and go into a matter of that kind and get that kind of vote it shows confidence and right relations in that plant or in any other plant of that kind.

The CHAIRMAN: Mr. Coulter, we appreciate Mr. Maedonnell, Mr. Yendall and yourself coming down here and giving us the benefit of your views, and I assure you that we will give your opinions consideration. I understand there are other members of the delegation here and you might extend our thanks to them also.

Mr. MACDONNELL: I shall be glad to do so, Mr. Chairman, and thank you.

The CHAIRMAN: I believe now we would like to hear from Mr. Tom Moore, President of the Trades and Labour Congress of Canada. Mr. Moore needs no introduction to this committee.

Mr. TOM MOORE, President, Trades and Labour Congress of Canada, called.

By the Chairman:

Q. Proceed, Mr. Moore.—A. Mr. Chairman and gentlemen of the committee, on behalf of the Trades and Labour Congress of Canada I wish at the outset to express our appreciation of the opportunity afforded to place before this committee a brief statement on bill No. 98 providing for the establishment of an unemployment insurance commission, to provide for insurance against unemployment, and to establish an unemployment service.

[Mr. Tom Moore.]

Before proceeding I should like to make a little divergence which I think has become necessary because of the remarks of the last witnesses, and that is as to what the views are that will be expressed here and how they have been arrived at. I want to make it clear that I have no babies of my own to advance, but I am merely going to state what I know to be the consensus of opinion of the workers across this country. I make that statement with the knowledge that there always will be divergence of views in any progressive movement and, therefore, in the labour movement there is naturally a divergence of opinions at times as to which is the best way to achieve a particular object, but I have never yet seen over the twenty-five years of discussion of this question any divergence of opinion as to the necessity of a pooled unemployment insurance scheme.

The Trades and Labour Congress of Canada meets annually. At its annual conventions it receives resolutions from the various 2,000 local units scattered across Canada representing all classes of workers, whether white collar or manual, casual workers and permanent workers, and it is on those resolutions and their discussion that our policies are based. Therefore, I think we can speak with some knowledge of what the workers' views are. I am not going to attempt to tell you what the employers' views are. It would be wrong, I think, to apply any single instance to prove a general case and, therefore, individual quotations of what a man may have said here or there do not cut much figure. What we want is the consensus of opinion. I should state that these conventions are attended on an average by about 400 delegates representing about 200,000 workers, and not always the same 200,000 workers, and that those 200,000 are merely the vocal part of the workers as a whole. I say that for the reason that the unorganized worker has no means of expression; but in plants where there is partial organization we find that the views expressed by those who are organized are accepted by the others and, therefore, I do not think we should limit the views expressed to the 200,000 who express them through their representatives, but in the absence of any repudiation of those views we might take it that they represent the view of those other unorganized workmen with whom they are working constantly.

Since the Employment and Social Insurance Act of 1935 was declared unconstitutional by decision of the privy council, the Trades and Labour Congress of Canada has urged action by the dominion and provincial governments which would make possible the re-enactment of that measure. It is gratifying to know that all provinces ultimately agreed to unemployment insurance being added to the subjects in respect to which the federal government has authority to legislate, and that on joint resolution of the House of Commons and the Senate of Canada, the government of the United Kingdom has made the necessary amendments to the British North America Act.

Now that the constitutional difficulties are removed, it is our sincere hope that the measure now before parliament will be passed and the administrative machinery promptly established.

It will be recalled that before the 1935 Act was placed on the statute books, it was examined very carefully by the Banking and Commerce committee of the Senate, and all interested parties given ample opportunity to present their views.

I make mention of that because of the request of the representatives of the C.M.A. for further time to study this measure and to make representations. I am not sure what length of time the Senate committee took in investigating this matter—I think it was about three weeks or a month, but it seemed to me about a year—but they certainly gave the subject a very fine combing over. The C.M.A. and many other witnesses were there and, therefore, the Act was carefully examined clause by clause and the general principles embodied in the Act were adopted.

The result of this scrutiny was that many clauses were rewritten and the whole made to harmonize. Especially was this so from the legal aspect, until one was left with the impression that it was as finely balanced as a good watch and no part could be disturbed without carefully checking its effect on other parts.

In other words, it would be unwise to make changes in any particular clause without very careful checking to see the effect of those changes on other clauses in the Act.

As the Act now proposed remains substantially the same as the previous Act, it is not considered essential to again discuss the principles involved or deal at any length with the bill as a whole but rather to confine this statement to comment on the major changes proposed.

Briefly, these are:—

- (1) The difficulties inherent (these are in the 1935 Act) in defining continuous employment are removed by substituting the ratio system of benefits;
- (2) Inequality between sexes is removed and men and women given equal treatment according to wage earning status (rather than according to whether they are men or women);
- (3) Benefits are more aligned with established standards of living by the substitution of seven groups of beneficiaries according to earnings in place of the former flat rate system.

Might I explain here that the British system is not only an unemployment insurance system but is partly a social welfare system inasmuch as it takes cognizance of family need by giving payments for dependants. The 1935 Act followed that pretty much. The result was, of course, that you had to have—I will refer to that later—a limit beyond which the aggregate amount could not reach. If a person had ten or fifteen children, by adding 90 cents benefit for each child it might become more than the wages he normally earned. The United States system is purely a compensation for loss of earnings and takes no cognizance of social requirements. The Act as now proposed goes between those two, and it does roughly make two categories, that is single persons and married persons with a dependant; therefore, it avoids the difficulties of the British Act and at the same time does bring the benefits somewhat into ratio with the added responsibility of maintenance of dependants.

- (4) The need to fix benefits at not more than 80 per cent of normal earnings is not required now that additional benefits are not added for each dependent child. The defining of normal earnings created administrative difficulties that may have delayed payments of benefits in many cases.

In other words, the 1935 Act said that the aggregate amount of insurance should not exceed 80 per cent of the normal earnings of the insured person. Those who have had experience with the Workmen's Compensation Act know the tremendous difficulty of judging the normal earnings upon which the percentage should be based. Some take it as what a man might earn if he remained in certain employment constantly; the Ontario Act takes an average over a given period counting in unemployment periods and so forth and brings it down to a low average at times. There are innumerable difficulties in finding out what the earnings of any insured person would really be. Under the present Act those difficulties are removed because it is taken on his actual earnings according to the standard fixed.

- (5) The fixing of earnings of \$2,000 irrespective of whether engaged in manual or clerical work.

The 1935 Act exempted those who earned \$2,000 in other than manual labour. The basis of the limits in the British Act was to find some division between wage earners and executive positions, and it was found that the limit which they had put in, if in the non-manual worker's case, would probably bring that individual into the executive position class. Now, when you remove from the 1935 Act, as you have, the words: "Unless engaged in manual labour", and exempt everybody over \$2,000 then you are creating a new class.

(5) (cont'd) This is too low on new basis and will create much extra administrative work that placing this at \$2,500 would avoid. If left as is, then many stable groups will be uninsured.

There are certain classes such as printers and building tradesmen who might have constant employment, and there are many others who would come into that category. It was said that there are only 5 per cent of the insured workers or the workers of this country earning \$2,000 or over. I would remind this committee that 5 per cent of 2,100,000 insured workers is 100,000 persons, and 100,000 persons are a lot of people to take out unnecessarily and add to the list which is already exempted. When you go over \$2,500 you would not get into those difficulties and, therefore, it would ease considerably the work of the commission and it would avoid numerous anomalies.

Might I give an illustration: take printers in the higher categories who work in the printing bureau from year to year. They would probably be exempt under that \$2,000 regulation, but the printers in the ordinary commercial plants throughout the country who are not engaged in such regular employment would be insured. Therefore, there would be an anomaly created in one class of workers; in one plant he would be out and in another plant he would be in, and the commission would have to calculate these things. If you raise the figure to \$2,500 there would be little difficulty in that margin. When you get this close to the \$2,000 mark you are getting into that margin that goes from one class to another among the manual workers' earnings.

By Mr. Reid:

Q. Have you any figures to give us on the number of persons earning \$2,500 a year?—A. No, but we know from the earnings of workers generally. You take a 44 hour week at a dollar an hour and that brings you over the \$2,000 whereas it would not come to the \$2,500. I am including the class of workers who are just on the edge, who might be exempt under the \$2,000 limit but not under the \$2,500. Therefore, taking known wage rates and known working hours there would be a considerable category constantly fluctuating just under and above the \$2,000 mark but \$2,500 would remove it much further away, \$3,000 would definitely remove it.

By Mr. Jackman:

Q. I wonder if Mr. Moore would give us figures on employment experience of workers earning over \$2,000 or more a year. I should think that the number earning \$2,000 or more would be pretty sure of their jobs at all times?—A. I would say they were the steadily employed persons who might possibly even be protected by seniority rules, but the hourly rate would only come to that annual rate where they had steady employment.

By Mr. MacInnis:

Q. Would it be correct to say on a social scheme such as this that it would be an even better reason for including them under this scheme?—A. Yes, I would say so.

Six, is that "child" is now defined as under 15; this we submit should be 16 because the school attendance age in most provinces is 16 and if you are going to keep a child at home until then he should continue in that status.

Further, the Minimum Wage Acts do not recognize majority until after a child is 16; and then, the general provision of Acts of this kind is 16. This provision would load widows or widowers with dependent children just at the time when keeping them in school is a very very expensive proposition. This provision throws them back into the single persons category when they have the heaviest burden to maintain.

By Mr. Roebuck:

Q. What schedule is that to which you referred?—A. In the 1935 Act the definition of a child was under 14, except where the child stayed at school, then a dependent child was one under 16. I presume what they did this time was they just said we will average the difference between the 14 and the 16 and call it 15; they just came half way and called it square. You will see that in the last schedule.

Might I say with regard to the new feature providing for reciprocity with other countries that that is a very good feature.

Notwithstanding the care with which the 1935 Act was drafted and the numerous changes made to it as a result of the consideration given to it by the Senate, the Act as finally passed still fell short of what many would desire. The same can be said of this measure or perhaps any that could be drafted inasmuch as it is impossible to foresee and provide for all varied cases that would come up in a widespread dominion such as ours.

The changes noted from the 1935 Act remove the cause of many previous complaints and with the two exceptions I have mentioned (5 and 6) should simplify administration. There will be, however, many divergent views as to its adequacy. Especially is this so in regard to exempted classes which most people think are too numerous. The reason for the many exemptions, as stated earlier by one of the departmental officials, that were placed in the 1935 Act was the knowledge that it would be a difficult piece of machinery to create in any event, and therefore it was perhaps the wiser course to confine it to these classes in the beginning where the administration would be simple; and then as the machinery got run in they could add to it other classes and bring them in completely. They thought it might be better to do that than to load the administration up with all the complications of the difficult classes at the same time as creating machinery to deal with its general application and perhaps create some rather disastrous chaos here and there.

Then there will be questions as to whether the benefits are adequate or properly balanced, especially as between the single and the married person. There is the question as to whether the proportions allotted to employers and employees were just what might be desired. These are only just illustrations of what will probably come up in representations made by letter or otherwise. In fact I have numerous letters already on some of these questions asking that certain classes should be brought in. I had a letter from a commercial traveller the other day pressing that the committee should include commercial travellers under the Act. You see, there are a lot of other classes interested. However, I want to go on: It is important to remember that the present bill like that of 1935 is intended to be actuarially sound and to ensure this the advice of competent actuaries has been taken. However desirous changes as outlined above may be they should only be made after careful study of their effect on the scheme. The bill itself provides for this in both the powers given the commission to make limited variation of insured classes, and more especially in the setting up of an advisory committee with the specific duties of recommending changes deemed proper in respect to all these matters. And here, might I direct the attention of the committee to the fact that there is a difference between this and workmen's compensation. Mention was made of the Workmen's Compensation Act in Ontario. It is true that at the time that

Act was being put on the statute books it was first announced and then given to a commission and representations were made to it. However, the Workmen's Compensation Act makes no provision for a continual survey by an expert committee, but here you have an expert committee, an advisory committee, charged definitely with the duty of making these surveys, as to whether or not certain classes of people should be brought under the Act and what the effect on the actuarial soundness of the scheme would be were they to be brought under it.

It is for this reason and the further belief that there will be opportunity to bring forward any amendments found necessary at a future session of parliament that we are not urging adoption of amendments at the present time, except we do believe that to raise the earning limit of those eligible for insurance is essential if the already numerous exempted classes are not to be further added to.

The problem of unemployment is two-fold, one part being to get jobs for the unemployed and the other to provide some measure of security for those that cannot have jobs.

Up to now I have dealt with the latter part, the insurance scheme.

By Mr. Roebuck:

Q. Before you leave that advisory committee, I notice this one acts without remuneration?—A. Yes.

Q. Except just travelling expenses. Don't you think it would be an improvement if some small sum were paid at least to the workers' representatives?—A. I think it may be necessary, Mr. Roebuck.

Q. It seems to me a rather heavy duty and one that will require a considerable amount of time and a great deal of attendance perhaps at meetings here in Ottawa or elsewhere. Some workingman will, it strikes me, be dependent upon his employer to keep his wage going, or some organization to pay him while he is away; or he may be in that class who has enough money saved up that he can draw on his meagre resources to come down here for a time.—A. Yes.

Q. That is asking rather a great deal, don't you think?—A. I think taking into account the onerous duties of that committee especially for the first few years as compared with the duties that the local advisory committees of the employment service were called upon to perform on the regional committees—there is quite a difference between committees of that kind and a committee such as the one proposed here, which only comprises four or six people. I think it would be fair to make some provision for remuneration for services rendered.

Q. If they were only paid their usual wages?—A. That might create a difficulty, but a per diem allowance might easily be arrived at for actual time spent in the service of the committee.

Q. Or an annual honorarium. A man could not keep account of the time he would expend; it would be all year that he would be working on this thing.—A. That was done in the case of the Canadian National directorate, they were given an honorarium of \$2,000 a year for attending meetings.

Q. I would not suggest anything as high as that?—A. It was done in that case when that directorate was appointed in 1923 provision was made then for payment of an honorarium for attendance at the sittings of that body.

By Mr. Reid:

Q. Would you agree, Mr. Moore, that it would create a difficulty in days to come if the present scheme with the classes which it embraces does not turn out to be actuarially sound as our actuaries have estimated? Should that be so there would be greater difficulty in bringing in some of the exempted classes which the advisory board might recommend to be included?—A. My personal opinion backed by experience is that actuaries usually make the mistake in the

beginning of providing for collecting too much money rather than too little. Turning to the present Act 14 per cent, is a very high unemployment figure, it did exceed that in Great Britain in the depth of the depression but it usually averages 9 or 10 per cent. But taking 14 per cent on 2,100,000 insured persons you would have 300,000 unemployed in the aggregate. Contributions to this scheme would be about \$60,000,000. That means that if 300,000 were unemployed constantly, 14 per cent—not necessarily the same people—then these 300,000 people could draw \$200 each in any one year. I think it would be found perhaps that the contributions would be rather high and so would provide for the bringing in of other classes which it might be desirable to bring in; and it might be all the safer because the classes brought in might be better risks and prove less difficult to administer than is the case with some other groups.

Q. My question was qualified by the thought that you might consider taking in more classes?—A. As I was saying, you might take in classes over \$2,000. They would be fairly safe and would add to the actuarial soundness of the scheme rather than detract from it.

By Mr. MacInnis:

Q. You did not say anything about the waiting period in Great Britain; there it is three days and here it is nine days.—A. Yes.

Q. Don't you think the waiting period is rather long?—A. Yes. That was fixed with the idea that immediately a man was entitled to the benefit he should be able to go and draw his cheque. This is a rather large country. We have shortened distances since 1935 by the introduction of the aeroplane; but nevertheless it would be necessary in some cases for a claim to come to headquarters. A lot of them could be settled locally, a lot of them could be administered regionally, but in some cases for records back over five years, and so forth they might have to go to headquarters to be dealt with and sent back so that at the end of nine days a man can have his benefits known and be ready to draw them. It was for considerations of that kind that nine days was considered at that time as the minimum in which the claim can be fairly dealt with.

Incidentally, in the United States the complaint is that many of the unemployment cheques come after the man has actually gone back to work and he has been on relief in the meantime, and he gets this social security benefit when he is working again. The object of this scheme is to see that the cheques are available while the man is unemployed, and immediately available. Experience may show that the time can be shortened considerably. Of course, in Great Britain there are fewer difficulties of that kind to overcome, but even there they had a six day period at the outset although I think that time has been shortened to three days. It should be possible when we get this advisory committee working for us to shorten the length of time within which a man can qualify to receive the benefits which he is entitled to under the Act.

The CHAIRMAN: I think the average waiting period in the United States is 14 days.

The WITNESS: No, the minimum; not the average. Some take longer than that.

The CHAIRMAN: I meant the minimum.

The WITNESS: I come back to another question. I have just mentioned that the problem of unemployment is two-fold, one part being to get jobs for the unemployed and the other to provide some measure of security for those who cannot have jobs. It is to perform the first function that the establishment of a national employment service, as provided by Part III of the proposed Act, is essential. By proper organization of placement service much money can be saved that otherwise would be paid out in unemployment benefits.

[Mr. Tom Moore.]

The efficiency of a service of that kind depends upon how useful it can be made, and it is an important feature of the scheme. As a feeder to the placement service, the national regional and local advisory committee, as provided in section 90, will play an important part. Through them the employment service can be kept constantly informed of the actual employment conditions and in many instances of the future labour requirements. There is a whole lot more that could be said in regard to this service. These committees might do as they do over in England, bring together the interested elements of labour, employers, educational authorities and so forth. They tied in the whole thing with placements, the creation of employment, a knowledge of requirements, and bring all that set-up to the placement service. Employment service of this character is an integral part of any sound unemployment plan. We are glad, therefore, that provision for the establishment of a national employment service is incorporated in the bill.

Now might I proceed, Mr. Chairman, to make some more casual remarks that have come to my attention while just sitting around the committee here. It is often said that the time for the introduction of such an Act is not now. I have spent a long time in serving the interests of workers and during the past 30 years I have had the privilege of presenting many many cases for social reform but I have never yet presented one at the proper time.

The CHAIRMAN: It is always too early.

The WITNESS: I recall even back in 1919 when the first conference of the International Labour Organization dealt with the eight hour day it was adopted with only two dissents, one of the representatives dissenting being the Canadian Manufacturers' Association, the rest of the world all thought it was all right.

By Mr. Roebuck:

Q. Might I comment just here on the point you made about the necessity for an employment service?—A. Yes.

Q. I see the English board got a letter from a chap who wrote: "my daughter Gladys has paid into your scheme for four years and every time she tries to draw a bit of benefit you find her a job. It is not fair."—A. That shows it is efficient; of course, efficiency often is not considered very fair, you know.

I was referring to the first International Labour conference when the eight hour day convention was adopted. I say that in all the world no one except the Canadian Manufacturers' Association, our own government included in that regard, they all agreed that the eight hour day convention should be passed with the proviso that it should be left to a more opportune time. That was the general proviso added on by many of those voting for it. Then it was said that in the demobilization period with all the clamouring for jobs was not a good time to put that into effect. Then when a little boom came we tried to get it in the form of legislation and that was not the opportune time because workers were anxious to work longer and there was no reason why he should not have that opportunity. We have been searching for over twenty years for the opportune time to present something. I do however think that this morning we have come at the proper time, because if there ever was an opportune time to bring this in it is the present. This is the time when the machinery can be brought under way with the least strain because this is the time when the least burden will be upon it and with the funds created, accumulated over the time of active employment, we will have something with which to meet the dislocation which we are hopeful will be of as short duration as possible, but which will be inevitable following this war. The problems of demobilization must be faced, all the workers engaged in the munition industry and industries of that kind make it necessary for re-alignment and changes in plans to be made. There is bound to be unemployment

at the time of a change over such as that. Therefore, this is the opportune time to prepare for the re-alignments that are bound to come. That being the case unemployment insurance will help to take care of these workers through that limited time because of the accumulated benefits that will have been built up then. So I think it is an opportune time to bring in legislation of this kind.

In regard to merit rating I submit very sincerely that the employers in that case are asking for a benefit to which in many cases they are not entitled, and they are asking for that benefit at the cost of the taxpayers. As a case in point I have in mind the Nova Scotia coal industry where they have been working more or less steadily throughout the last two or three years, but had it not been for the government subsidy in one form or another of which they have received the benefit there would have been a tremendous amount of unemployment there. My objection to the merit rating system is that in almost every case the benefit sought by the employer is not earned directly but usually is rather the result of the benefit he gets from fortuitous circumstances which operate to his advantage. Take the case of the Nova Scotia coal companies to which I have referred, the taxpayers of this country are the ones who put up the money to pay the subsidies which take the form of preferred rail rates and all such subsidies for coal used in central Canada. Because of the taxpayers doing that you get a condition of fairly steady employment and the employer comes along and says we have a low insurance risk we should have our premiums lowered. Also, I think I am correct in saying that the benefits to contributors will not work out as high as what is stated or what is assumed because it will not be based on overtime or bonuses but on a scale of earnings, and therefore it will not be as difficult for the employer as it would seem; although it might be hard to say exactly that a man has earned so much this week, or he is going into any class. They will know pretty well what class he belongs in or what his earnings are. I think a lot of that will be simplified by the returns that will be made in connection with the National Defence tax. From them we will know pretty well the category in which the individual belongs, before the insurance benefits that come into effect.

Q. Do I understand that when a bonus is paid the employer just adds that many more stamps to the man's record book?—A. Well, bonuses are paid in so many different ways. Some of them are stock participation plans; some of them are in the form of cash paid at the end of the year, and that lowers wages and earnings and they are not even considered by the worker as earnings nor as they spent as such. Our contention has always been that it is always better to pay adequate wages rather than to give the worker a lump sum at the end of the year.

By Mr. Graydon:

Q. Do I understand you to say that the bonus will not be included?—A. That is my understanding of the reading of the section. I just forgot what section it is, it is based on normal earnings.

Q. The reason I asked the question was that it came up in the meeting last night when one of the departmental men indicated that bonuses perhaps would be included as a part of wages and I thought perhaps there should be something from you on that point.—A. Then you come to a definition of what is a bonus. In a recent order-in-council issued by the dominion department it recognizes that in some cases where wage increases are being given that they should be given in the form of a bonus rather than a wage increase; in other words if a cost of living bonus is to be given it should take the form of an additional 5 cents an hour or an additional 2 cents an hour, leaving wages as nearly normal as possible. While they might call it a bonus it is in fact an increase in wages. Their object in calling it a bonus is to avoid paying a higher rate, as it would be more

[Mr. Tom Moore.]

difficult to go back to a lower rate of pay than it would be to discontinue a bonus. If you have a bonus of that kind naturally that would come within regular earnings and it would be quite different from a Christmas bonus in a lump sum such as is frequently paid by companies who have done particularly well and want to give their employees a benefit in the extra earnings of the company for the year. These are matters which the commission will have to define by regulation, and I think it would be impossible for this committee or any other committee to settle and iron out all these points. As you know, I was a victim of circumstances to the extent that I spent some months in an intensive study of matters of this kind and I know a little bit about the many points that will come up; and knowing the intelligence of you gentlemen I know you can ask questions on an issue of that kind that would keep us here at least until snow flies anyway and even then we would not have settled them all, we would only have expressed opinions which would still need thinking out by the commission set up with authority to deal with matters of this kind.

That is my submission with reference to this Act. If there are any questions I should be very glad to answer them to the best of my ability.

By Mr. Pottier:

Q. Do I understand you aright that as the representative of organized labour you ask that this Act be passed as is except that you want an increase in the exemption from \$2,000 to \$2,500 a year income?—A. Yes, and a change to 16 in defining a child.

The CHAIRMAN: You would like to have the age limit changed from 15 to 16; that is in the sub-section of the schedules?

The WITNESS: Yes, the one defining a child.

By Mr. Roebuck:

Q. And you feel that there should be some small payment provided for members attending the sittings of the advisory committee?—A. Yes. There are many other questions that might be adjusted when the commission is appointed.

Q. This is in the Act, this advisory committee?—A. Yes, I was not referring to that I was referring to the more general question as to what we think should be amended.

The CHAIRMAN: As for example an extension of the Act itself.

The WITNESS: Yes. There are a number of matters we would like to see adjusted but we believe that the commission appointed will be the one with whom we can discuss the various questions which will arise, that working with them we can get all the details and find out exactly how it balances up, and what would be the effect of it and so forth; and if the advisory body then found that the case is justified, they would probably recommend amendment themselves. If they did not, it would still be open for the parties to make them. We have in mind that it will take several months to create the machinery. The benefits cannot be paid in less than 30 weeks, because you have to get 30 weeks' contributions on your card. Before then parliament will be in session, and, if there is any lack of understanding, it can very well be taken up at the next session of parliament before anyone gets hurt.

By Hon. Mr. St. Père:

Q. I followed you very closely in regard to our unemployment services. May I conclude from what you have just said that the present employment offices in the several provinces would disappear? Some of those men are experts in their work, and is it to be expected that those presently occupied in the different provincial employment offices will have to work in the department?—A. Not necessarily, sir; the previous commission undertook to

try to co-operate with the respective provincial governments on this matter, finding out as survey was made as to the staffs employed, as to the qualifications of the individuals and as to the type of offices. Arrangements were made, as the nucleus of the Dominion scheme, that offices that were suitable and employees who were qualified would be the first to be taken over into the Dominion scheme.

You will realize that the present functions perhaps call for a type of employee in some instances that would not be qualified to carry out the duties of an insurance officer. Some of the officers are not suitable for the work which was required to be carried out. As was pointed out, there is nothing to prevent the provincial government continuing alongside, if they so desire, where another office is set up.

Q. It would be a duplication of work?—A. Not only that, but it would not last, as the worker would have to go to the Dominion office for his benefits from the unemployment insurance, and therefore the other would not be used. It would automatically pass out of existence. But any commission, I should think, would try to bring about an adjustment with the least dislocation both of property values and of human values in regard to the employment of individuals concerned.

By Mr. McNiven:

Q. Did you obtain the approval of the Civil Service Commission to the plan you just suggested?—A. Oh, yes.

Q. They were quite willing and considered that the employees of the employment service—A. Were qualified. And in some cases arrangements had to be made for superannuation. Negotiations had not been carried forward to the point of bringing them into the Dominion scheme, but every effort would, I feel sure, whatever commission was appointed, be made to see that the least dislocation possible took place.

By Hon. Mr. St. Père:

Q. In certain provinces the employees belong to a pension fund?—A. I know they do, and they would have to be taken care of.

By Mr. McNiven:

Q. Do you suggest that a similar plan should be followed under this Act?—A. I think it would be automatic. It gives wide enough powers to establish that, and you could make those arrangements afterwards.

By Mr. Hansell:

Q. You suggested there were about two thousand unions in Canada?—A. I said affiliated with our Congress.

Q. Does that include the mine workers' unions?—A. No, sir, they are not in our Congress; they are in the all-Canadian Congress.

Q. Would you care to comment on the effect of this legislation on the coal miners of Canada?—A. I would say this, that until last year the United Mine Workers of America were part of the Trades and Labour Congress of Canada. Their delegates have sat, both delegates from the Nova Scotia and Alberta regions, at our annual conventions all these years when this matter has been discussed, and they have approved of it. I think that is the best answer I can give to show how it would affect the miners.

Q. There is just one other question I have in mind. Of course, none of us is satisfied with the schemes of relief. We would all like to see the country in a position where labour was employed to the full. What effect would this legislation have on relief schemes? What I have in mind is this: We do know that there is a good deal of evil generated through relief schemes. Here is a

[Mr. Tom Moore.]

person, we will say, that does not come within the scope of this legislation. Eventually he finds himself out of a job and he applies for relief. His relief rate, though it may be a surprise, almost amounts to the benefits that some other person is receiving because he is unemployed and because he has contributed to this scheme. It seems to me that that might generate some dissatisfaction among the people.—A. It might, with this exception: that relief in all countries, Great Britain included, is based on proof of need. In other words, it is the taxpayers' money that is being distributed and the taxpayers demand that it shall be known that the person needs it worse than those who are contributing to the taxes. In other words, to get unemployment assistance in Great Britain or to get relief in this country or to get relief in the United States, you have practically got to prove destitution. Now, by contributing to the unemployment insurance scheme you can draw that money without any recognition being taken of your savings or your own ability to carry on. If those cases do arise, and they may in some instances, I will grant you that, where families are in fact in some of the lower categories, it may easily be necessary to get relief additional to unemployment insurance. This Act does not take into account the social need. But in my opinion the worker would sooner take the benefits under unemployment insurance and maintain his independence in getting them as a right than take the higher rate and have to prove his destitution and disclose all his family affairs to investigators and be subject to general scrutiny.

Q. I think that is true.—A. Therefore, I do not think that that would be a serious matter of dissatisfaction over unemployment rates. In cases where need is imperative they may have to supplement it because you have a social clause added on to relief. The assertion was made earlier in regard to unemployment insurance not being a panacea for unemployment. I have never yet heard it claimed that it was. We have always looked upon it as the first line of defence. In other words, if you have a period of unemployment you have something to fall back on instead of dissipating your meagre earnings until you have completely reduced yourself. If it is a lengthy period of unemployment, then, of course, you may have to go to the relief office. But we have never looked upon it as a cure-all. Payments under the unemployment insurance scheme will modify the rigors of unemployment. When you calculate that in this scheme approximately \$60,000,000 a year will have to be contributed jointly by workers, employers and the State, that is ear-marked absolutely for the payment of benefits; it cannot be dissipated in administration or in buildings or in anything else; it must be paid to the workers. If you calculate that in some years this \$60,000,000 will be distributed to workers in certain amounts, that immediately represents purchasing powers, and perhaps the first thing that the worker purchases is food. Therefore, his purchases of food stabilize the market and, to that extent will undoubtedly improve the farmers' position who have their goods to sell. To another extent it provides a demand for other goods and the experience of employers in Great Britain with whom I have spoken on numerous occasions is that the distribution of social service moneys, including unemployment insurance, sickness, and so forth, is not a charge on the country in the ordinary sense of debt, but is merely a distribution of wealth from those who have a little more than they need, or have been able to save a little more than they had to spend. Their whole market has been buttressed at all times by the extent of these welfare schemes, unemployment insurance, sickness insurance, and so forth: To that extent these things have prevented unemployment in numerous instances where it would have occurred otherwise. It will modify the volume of unemployment, though it will not cure unemployment in its entirety.

By Mr. Pottier:

Q. It has been suggested that \$100 would take care of unemployment to quite a degree. What would you say about that?—A. Well that \$100, of course,

was based on the fact that the workers would contribute 75 cents a week. I had a letter yesterday on my desk from the hotel and restaurant employees who pointed out that a considerable number of their members were women workers who were paid the minimum wage, which is \$12.50 in Ontario; that is, you are paid \$5.50 cash and \$7.00 for board is allowed. So that actually the girls there will get about \$250 a year in cash, because they have got to pay the defence tax. Out of that \$250 Mr. Yendall supposes that the simple remedy is for them to pay 75 cents a week. This amounts to about \$40 a year. I venture to say that it would not. If you got the \$100 at the end of two years' savings, then the average benefits of a person under this Act is \$9.60, and therefore it would last ten weeks. I do not think anyone would suppose that a scheme is sound which limits benefits to an average of ten weeks. Therefore, that would soon be dissipated and you would have them on the relief rolls.

By Mr. Graydon:

Q. Perhaps it is not right to assume this, but sometimes this fund might be pretty well diminished if you had a long period of depression. If there were many thousands of workers who would be entitled to benefits under the Act, what position would the commission likely take in a matter of that kind?—A. You are assuming that the statutory committee or the advisory committee will fail to function and discharge its duty. If the advisory committee does its duty that could not possibly happen. They have got to survey the financial condition of the fund and look ahead. They have to calculate what are reasonable reserves for emergencies of all kinds. If the fund is surplus after taking care of everything the contributions may be reduced or the benefits increased. It is incidental to remark that though Great Britain is involved as deeply as we are in the war—and I say that not lightly but simply to emphasize the point—that they found it possible to increase the benefits to dependant children under the unemployment insurance scheme this year, and for both the agricultural scheme and for the general scheme, because the fund was showing a surplus. Taking cognizance of all reasonable requirements and repaying some £10,000,000 for the debt they created for a thing that was a charge on the country and never ought to have been on the fund, that is, the payment of employment relief that was charged to the fund in some years—taking account of all those things they still had ample reserves to look forward to the possible emergency you have outlined. So I do not see that it is possible for that to happen, if the Act operates.

Q. Following up that question a suggestion was made by one of the representatives of the Canadian Manufacturers' Association—I think it was Mr. Macdonnell—that allied with this scheme should be a scheme of unemployment assistance, such as is envisaged by the Act in Great Britain; have you any comment to make on that?—A. We certainly agree that that is ideal; that it should be brought into effect. You will recall the National Employment Commission gave the picture of a complete scheme. It gave a statutory right to unemployment benefits and supplementary assistance for those who were employable, and had exceeded their benefits. I think the Sirois Commission practically approved of that. But I would disagree that it is necessary to leave this part of the scheme until the other comes into effect. I would heartily agree that the sooner the other comes into effect and the federal government assumes the responsibility for the payment of relief or benefits under unemployment assistance to the employables then the better for the country and all concerned. So long as there is local provision there are going to be people moving into certain localities for temporary jobs and being left there on the doorstep of the province or the municipality. But when the Dominion assumes responsibility then the fluidity of labour is brought back again, irrespective of what part of the Dominion the employable worker is in, as he will be looked after by one authority.

[Mr. Tom Moore.]

So I would agree that it is admirable to bring it in. I would disagree that this should be deferred until the other is brought in, and I would disagree that this is the roof instead of being the foundation. I think this is probably the foundation. The other may be a little gardening around it.

By Mr. Roebuck:

Q. May it not be said that the Provincial Relief Acts fill the place in part at least of the British Unemployment Assistance Act; that is, that the machinery for provincial relief which we now have set up in Canada supplies the place in large part, if not completely, of the British Unemployment Assistance Act? Am I right?—A. It would if it was carried on according to the regulations, but I think there is a tremendous lot of social cases laid on to the so-called unemployment relief cases. One case comes to my mind of one province where they would not accept them on the old age pension; they had to get unemployed relief because the Dominion contributed to part of that more than they did to the old age pension scheme at that time. And so it has been juggling about a little. There are to-day on the relief rolls of the various provinces a large percentage of those who would come as employables and therefore be chargeable to the Dominion on a proper scheme.

Q. Or are chargeable in England?—A. Or are chargeable in England. You will recall that several years ago they made the municipalities responsible for them. The scheme broke down because they had so many unemployed and so little revenue with which to pay them. We had a similar situation in Canada. You can take Verdun as an illustration where there is a large working-class population. When unemployment was at its height nearly everyone was unemployed and the municipality could not collect the taxes, and they also had a big burden of unemployment relief to meet.

In Westmount the people were not unemployed, or, if they were, they were still being paid. We had the same thing in Eastview and Rockcliffe, and you will get the same circumstances in Toronto.

Mr. ROEBUCK: Toronto and the Yorks.

The WITNESS: Absolutely. Therefore it is essential to try to pay for the thing itself and make the dominion responsible for employables.

Mr. GRAYDON: It would lift a partial burden off real estate as well.

The WITNESS: Absolutely.

By Mr. Jackman:

Q. Following Mr. Graydon's question, Mr. Moore, I should like to ask you this: It has been put forward by some that now is not as favourable a time to introduce this legislation as 1935 because in that year people who were employed represented a higher class of labour that was very needful to industry and was a class which was likely to hold jobs even if bad times continued. Now, in the year 1940 we have had some improvement apart from the war and on top of that we have a tremendous stimulus to industry given by war orders so that we have a much larger number of people employed. A part of them at least do not represent as high a class of labour as did those who would have come in in 1935, but the total paying into the fund in 1940 would be a much higher figure than that paid in 1935. Nevertheless when the ordinary cycle of depression comes about as it probably will, or the aftermath of the war comes and employment is harder to find, the claims upon the funds will be much greater. In other words, your mortality rate will be much higher in a year or so than it would have been in a year or so after the 1935 period had the Act been enacted at that time; so that is the reason given for careful consideration at least of the time that this Act should be brought into being. Now then, Mr. Graydon asked a specific question, if the fund had become exhausted, and I might point out that things happen so quickly that there might not be an

opportunity for the advisory committee to inspect the condition of the fund before the trouble was upon us. I think one will agree that under the trying circumstances in which the world is to-day that is a definite possibility. Within 12 months with some right to benefit under the Act becoming operative; the Act conceivably might have a sufficient fund created to meet conditions. Now, then, any employee who has a right because of his payments in under the Act, if the fund was not sufficient to meet those demands he naturally would expect that someone, I suppose the government, would put up sufficient to meet his just claims for which he has paid from time to time during his working weeks; that is so, is it not?—A. Yes, I take it that so long as parliament is supreme and we are not under a dictatorship parliament would accept the responsibility of advancing to the unemployment scheme any funds sufficient to carry on until its contributions could be adjusted and its benefits brought up to a basis that was actuarially sound; otherwise benefits could not be continued; their rights, because there is an obligation there. It is the unforeseen then, you see, that is always happening. We are always trying to cross our bridges before we come to them, and it often happens that we look so closely at the bridge that we fail to see the water beneath. This is the first time that I have heard that excuse advanced as to why 1935 was a more opportune time. The argument as heard at that time was that it was inopportune in 1935 because competition was so keen that employers could not afford to pay. The United States was not then contributing and you had to compete with United States products; that the number of workers covered would be so small as to create dissatisfaction among the industrial workers. Now, all these things are eliminated in 1940, and the United States are now paying much higher, the charge on the employer in Canada will be $1\frac{1}{4}$ per cent as compared with 3 per cent in the United States for the unemployment insurance fund. Then, too, you have a greater coverage of workers and less dissatisfaction among workers; and business seems to be picking up, if I read the Financial Post aright, and see dividends being paid by companies who had been passing up their dividends for quite a number of years. That does not look as though competition is quite as keen as it was in 1935; and because of that, and because of the big army of workers who will be available to participate in the scheme this does appear to be a much more favourable time than was 1935.

Q. I quite agree, some people are always advancing reasons against social legislation. That is not necessarily my point of view always. It is merely a reason I have heard advanced, and I think there is something in it. I wish to put a further question to you and it is this: If a depression were to come and it happened that the payments, the benefits, were exhausted and met by the government if there was a deficiency, you would then have workers receiving a fairly decent amount per week in order to sustain themselves, and I think you will agree with me the amount is considerably higher than relief rates generally—the benefits paid under this Act are higher than relief rates paid in most places, take the city of Toronto for instance—I do not think that the relief rates would begin to equal the amounts paid as insurance benefits under the Act.—A. Not very far off for the average family; a man, wife and one dependant. I do not think it would be far off the \$9.60 for the \$1,200 class.

Q. The question I wish to ask then is: Would any difficulty arise if workers who had been receiving the benefits of the fund, that the time had been exhausted during which they were entitled to receive those benefits that they were then thrown back on ordinary relief at a lower scale, would that likely cause very much difficulty, would it not result in a demand that relief rates be raised?—A. I am one of those optimists who believes that our long urging for unemployment insurance would insure benefits which would be adequate to meet a situation of that kind without undue cost to the general treasury. We are confident that the benefits of the Act would be in effect before that situation occurred. That being the case, they would not be driven back onto the

[Mr. Tom Moore.]

ordinary relief rates; but even if that were the case and higher relief rates were demanded I do not think it would bankrupt the country entirely, and in some cases there have been very low subsistence levels anyway—I think we are finding that out in our medical examinations for the military services.

MR. ROEBUCK: You are lowering relief rates by this legislation to the extent that contributions are all benefits to be received. Through the entire time that a man receives benefits he is on relief rates which in some instances might be lower than would be the case if this Act were not passed.

MR. JACKMAN: It is essentially a question of where the money is to come from, whether it is to come from the municipality; and if so, what will happen to real estate taxes—we must know where the money is going to come from if we are going to do these things.—A. I did not think we would have that question asked any more after these war expenditures that have been going on during the recent weeks. I thought that would have taken care of that situation entirely.

Q. Do you think a distinction should be made between labour exchanges which merely endeavour to find work for a man who has been in employment for some period and those offices or placement bureaux which are endeavouring to find work for young people when they leave school and are seeking a vocation; do you think they should be entirely separated, that the problem is so distinct that we should have separate offices, call them placement bureaux as against labour exchanges; have you anything to say about that?—A. The experience in Great Britain has been against it. They found that where they made the two separate difficulties developed because of the keen competition between them, each trying to establish their efficiency over the other through the number of youths or workers each could place in jobs. One result of that was that inexperienced youths were often placed in jobs for which they were by no means qualified. In the end they merged it back into a common administration although they have special committees dealing with the special problems of youth and youth training. I certainly would not advise separate offices.

Q. Would you think that the job of finding work for a young person leaving school requires quite a different office and different training from that of a person who operates an ordinary labour exchange?—A. Yes. and while they merged exchanges in the old country they kept the functions separate and they have special vocational guidance committees, and they have different people on these vocational guidance committees, such as the school principals, employers, and so on. You might have special committees in exchange bureaux who would be charged especially with taking care of the youth problem.

By Mr. Hanson:

Q. In your submission there was one thing which I expected you to comment on that you did not say anything about at all. You made a very very excellent witness indeed, and I am quite sure that the Trades and Labour Congress are very fortunate in having a man like yourself to represent them. You have dealt with the general principles of the scheme but the part which I thought you would deal with and of which I refer is that relating to disqualifications. I notice in the explanatory note, and this has given me some little concern because I believe in the right of collective bargaining; in the explanatory note at the bottom of page 1 it says:—

Disqualification for benefit includes: Loss of work due to misconduct or a labour dispute in which he is directly involved: Unwillingness to accept suitable employment: Receipt of an old age pension: Being an inmate of a public institution, or earning less than 90 cents a day while in employment.

The part to which I wish to refer you particularly is the first part concerning labour disputes and unwillingness to accept suitable employment. Do you not think there could be a bit of a change there?—A. I think if you will look up

section 43 you will find that point elaborated there, and that it is surrounded with considerable safeguards. The question of misconduct is not left to local insurance officers to decide, he cannot just take the word of the employer he has got to go to a referee; so there is a safeguard there, and it is up to the employer to prove it is misconduct and not up to the man to prove it is not.

Mr. GRAYDON: The onus is on the employer.

The WITNESS: Yes, it is taken a little away from a direct decision there because it is a rather delicate thing to judge. Then in regard to accepting other employment, you will find there is provision there if employment is at less wages than he would normally receive and if it is where a labour dispute exists and he refuses to take it he is not debarred from benefits. There are other safeguards around that. The question of labour disputes, the people being involved; that is where labour is trying to be fair and saying that perhaps it would be asking too much to ask the employer to contribute to a fund that would finance our fight against him. In other words, the unemployment insurance benefit would not be used to strike against the employer.

Mr. REID: Regarding the matter of strikes, I am one who believes that more regulation should be placed in the Act rather than leaving so much control under the Act to the commission. I have in mind a labour dispute where the men go on strike and when the strike is settled some of the men may still be unemployed, only ten or twelve out of a larger number would be taken back. There is nothing in the Act that ties down the commission as to the time when he ceases to be on strike. What is your view? My own view is that something specific should be placed in the Act rather than left as to interpretation to the commission. I would like to have your views on that.

The WITNESS: There are quite a number of things we would like to have in there, but they might not operate as much to our advantage as something else. For instance, in England the commission has not attempted to make regulations immediately. These matters are never exactly alike. If you get a book of the decisions of the board of commissioners there, it is quite a bulky volume, and more than one at that, you will see that these cases come before the commissioners and the appeal courts and out of that comes a decision, and the precedents established by these decisions are accepted in formulating policy and practice. It is built up out of a mass of experience over a period of time, and that has been found much more effective than attempting to devise strict regulations. In the light of that experience we were prepared to leave it to the development of decisions on appeals by referees and umpires in this case rather than to attempt to devise something in words that might defeat its own object before we got through with it.

Mr. ROEBUCK: My view of it is that while it is not entirely satisfactory, one might criticize it in detail, there is no other alternative scheme that is workable that we can substitute for what we have here with regard to labour disputes.

The WITNESS: We think it is a workable Act, sir.

By Mr. Reid:

Q. One other question regarding a clause in section 20, subsection 3; when he is capable of and available for work but unable to obtain suitable employment; do you anticipate any great difficulty in a definition of suitable employment?—A. From what section are you reading?

Q. That is on page 9, section 28.—A. Disqualification—I think you will find in reading further that the responsibility is partly on the individual but more on the office; in other words, he says he is available for work, he is a machinist of a certain category, the employment office gives him a card to go and get that job, he never turns up but pretends he can't get the job; then, of course, he is disqualified for failing to obtain suitable employment. It does not

[Mr. Tom Moore.]

place the onus on the individual to show that he has been out each day canvassing for work, the onus is on the insurance officers to prove that he has failed to take reasonable pains to take employment of a suitable character when it is offered to him.

By Mr. Graydon:

Q. When you are dealing with the matter of suitable employment, does that refer to type of employment, or does it also include rate of wages?—A. With limitations. Section 31 deals with some limitations; an insured person shall not be deemed to have failed to fulfil the third statutory condition by reason only that he is attending a course of instruction or training approved by the commission in his case; or he has declined employment arising in consequence of a stoppage of work due to a labour dispute; or an offer of employment in his usual occupation at wages lower, or on conditions less favourable, than those observed by agreement between employers and employees, or failing any such agreement, than those recognized by good employers; and so on. So you see there are some provisions there, and then there is the proviso that after a certain time that these provisos can be modified by the commission and he might be sent to other places. There are provisions there also to protect the worker from being forced into seeking work for which he is not only not suited but which might be harmful to him. For instance, if you force a violinist into ditch-digging you would render him useless for his ordinary employment. Therefore, at no time would that be considered suitable employment. That is one of the important considerations in administering the Act, consideration must be given to maintaining a man's employability in his regular employment.

By Mr. Jackman:

Q. I gathered from your preliminary remarks that the Trades and Labour Congress of Canada are fairly unanimous on the main principles of unemployment insurance. I am not surprised that some of the workers in the more or less protected occupations are desirous of obtaining the benefits of its provisions. I quite appreciate why there is no large proportion of the labour population of this country which does not favour the introduction of some scheme of contributory unemployment insurance?—A. That is right, quite right.

The CHAIRMAN: Gentlemen, I do not want to interrupt the questioning of Mr. Moore but I just had a request made to me that possibly some questions might occur to members of the committee, therefore, we would appreciate your re-attendance, Mr. Moore, this afternoon, if that would be convenient for yourself?

The WITNESS: I will be on hand.

The CHAIRMAN: In the meantime, I would like to express the thanks of the committee for the splendid contribution you have made in giving us the benefit of your wide experience on this question.

Gentlemen, Dr. Harvey Agnew, who is Secretary-Treasurer of the Canadian Hospital Council, wishes to present a brief. He tells me that he will take but a very short time and he wishes to leave on the 3.30 o'clock train this afternoon. I wonder if those who have to go might go, so long as we have a quorum remaining, and we might hear him for about ten or fifteen minutes to present his brief.

Mr. HANSELL: Are there any others?

The CHAIRMAN: Not before lunch.

Mr. HANSELL: Who are the others?

The CHAIRMAN: Dr. Agnew. We shall hear him before lunch.

Dr. HARVEY AGNEW, called.

Dr. AGNEW: It is very kind of this committee to give the Canadian Hospital Council the opportunity of presenting this brief, copies of which have been placed before this parliamentary committee.

This Canadian Hospital Council is the official association of the hospitals of Canada. In presenting this brief to you we wish to call attention to the very unusual position of our public hospitals. I can do it exceedingly briefly, Mr. Chairman.

In the first place, we have practically no unemployment in the hospital field. Our hospitals have to be geared for any emergency that may arise, whether we have a low occupancy or a high occupancy. We must maintain our staffs at practically the same level throughout. About the only fluctuation that we have at all is in the case of certain floor duty nurses who may be engaged on a daily or weekly basis to supplement the regular staff.

By the Chairman:

Q. The nurses would not be under the Act?—A. That is what I was going to say. They are not included. The only other group which is included are the domestics that might be engaged for isolation units, and, of course, they are open at times only. But in the majority of cases those domestics are absorbed into other services.

That is the first point, Mr. Chairman. We also have in our personnel a large number of individuals who are highly skilled and who are experts in their field, and therefore who cannot be allowed to go because of the fact that they could not be replaced on short notice.

The cost to our hospital employees and to the hospitals for a service from which the employees are not at all likely to derive any benefit to any degree whatsoever would be a very heavy financial burden upon these employees. I have figures here which are on page 3 of the brief, but I would just synopsize it in this way; that it is estimated that close to twenty thousand employees of the hospitals would come under the Act as now drafted. While it has not been possible for us in the brief time at our disposal to actually determine in an accurate fashion what that would cost, we have obtained figures from a number of hospitals, and expanding these to cover the whole of Canada it would look as if the cost to the hospitals would be \$270,000 a year, and to their employees approximately the same.

Now, \$270,000 may not seem a very large sum of money when you are dealing with millions, but in this particular instance, we are dealing with public hospitals. Certain hospitals, for instance, the Toronto General Hospital, will have to pay \$10,000 and their employees \$9,000 and some odd. That is an exact figure. The Vancouver General Hospital will have to pay \$12,000, and their employees a similar amount.

When it comes down to the individual hospital it amounts to a very heavy item at a time when the hospitals are all facing deficits.

Then I come to my main point, Mr. Chairman, the point that puts the public hospitals and puts these people into a special class, and that is that our institutions are public hospitals and are non-profit, charitable institutions. These hospitals declare no dividends; they are operating almost always without surplus, even without operating reserves, and usually with an over-draft at the bank. It is a struggle every year to know whether they are going to come out even at the end of the year or not; and this extra money would have to come not out of the services but out of either of two possible sources, one is the paying patient, the fellow who is thrifty enough to try to pay his way, and finding it hard enough possibly to pay his way, and the one who carries the burden on a non-pay patient ordinarily, because of course the provincial rates are fixed; it would either come out of that paying patient and his rates are heavy enough now or it would mean that the hospitals would have to lower the standard of their service to indigent patients.

By Mr. Graydon:

Q. Are there many private hospitals operating for profit in this country?—A. Private hospitals represent approximately 6 to 7 per cent of the beds, that is of the general hospital beds in Canada.

Q. You are not speaking on behalf of them?—A. I am not speaking on behalf of them. They are a small group. I am speaking on behalf of the 650 public hospitals that represent 60 per cent of all the beds that we have affected all over Canada: so I am speaking now of the non-profit charitable institutions whose employees would not likely obtain any particular benefit from this enactment. We have considered this question before, Mr. Chairman; in 1935 our Canadian Hospital Council gave it a great deal of thought and prepared this brief. It is now in your hands, and a copy of the resolution passed at that time has been appended. We have approached the hospitals during the interval since this was announced a week ago and we have had replies from a majority of our hospitals or the associations which represent them, and it is the overwhelming opinion of the hospitals, the public hospitals of this country, that they should be privileged to be excluded from the operations of this Act.

Thank you, sir.

The CHAIRMAN: Thank you very much, Dr. Agnew.

By Mr. Pottier:

Q. Would you look at page 33 of the Act? You will find there that employees in domestic service are excluded. Then, at the bottom of page 33, (f), you find there that employees in domestic service are excluded.—A. Yes, sir.

Q. Then, (d), employment as a professional nurse for the sick or as a probationer undergoing training for employment as such nurse is excluded; then in (q), employment for which no wages or other money payment is made, where the person employed is the child of, or is maintained by the employer. Would not the three sections to which I have called your attention cover a large number of the persons who would be employed in hospitals; that is, domestics or nurses? And then your interns, they are paid possibly partly by the employer. What other classes do you include to which to get the 20,000 outside of the three I have indicated?—A. In answer to that question, Mr. Chairman, the interns might come under this one where they are maintained by the employer. But we only have about 500 individuals in that class as interns, in a number of places they are given \$25 honorarium as well as their maintenance so it is just questionable whether they would come under the Act, but if they did there are not a very large number of them anyway. Domestic might come in under (f), with whatever possible kitchen help there might be; but we must remember that they again represent only a small section of our hospital employees. We require for a well equipped hospital, we figure that we have one employable per bed. In a 500 bed hospital there would be 500 employees. We have a large office staff, a great many technicians, we have dietitians, we have seamstresses, we have a laundry staff, we have an engineering staff, and we have repair men, a lot of individuals who do not ordinarily come within the vision of the patient, who are working behind the scenes.

By Hon. Mr. Mackenzie:

Q. Were you before the Senate committee in 1935?—A. We were represented through the medium of correspondence, sir.

By the Chairman:

Q. How do you arrive at this figure of 20,000 which you indicated in your brief?—A. In getting our figure of 20,000 we have taken out the various types of staff which appear to be exempt. Our records show that we have some 36,000

employees and we have eliminated the pupil nurses, the graduate nurses, the interns and in that way we arrive at the group which we feel would come under the provisions of the Act and which we approximate at 20,000.

The CHAIRMAN: Thank you very much, Doctor.

The WITNESS: I wish to add, Mr. Chairman, that while this brief which is in your hands is the brief of our association, it represents those particularly who have expressed their approval of it. I should point out that there is one association, the British Columbia Association, that has asked not to participate in this presentation. They are still taking a vote on the question and their secretary had asked us to exclude them from this presentation which I am making at the present time.

I have given you a synopsis of our brief and with your permission I would like to have it placed on the record. It reads as follows:

**BRIEF OF THE CANADIAN HOSPITAL COUNCIL TO THE SPECIAL
PARLIAMENTARY COMMITTEE STUDYING THE UNEMPLOY-
MENT INSURANCE ACT, 1940**

The Canadian Hospital Council, acting on behalf of the hospitals of Canada, respectfully make request that the special position of the hospitals and their employees be taken into serious consideration by the Committee in its recommendations as to which groups shall or shall not come under the proposed Unemployment Insurance Act, 1940.

In presenting this brief, the Canadian Hospital Council wishes to express its appreciation of the general value of this progressive enactment. Hospital workers have an unusual opportunity to see the baneful effect of poverty and anxiety resulting from unemployment on the health and happiness of the people. It is because of the concern of the hospitals for the welfare of the sick and for that of their employees that the hospitals are now making request that hospital personnel be not included under the provisions of the proposed enactment. The following reasons are presented:

1. Unemployment is negligible in the hospital field.

Hospitals must always be prepared for any emergency or epidemic and, therefore must keep their personnel practically constant, whether their occupancy be low or high. Although there is fair daily fluctuation in patients, there is very little seasonal fluctuation. There are no idle periods at all, except at times on the isolation ward. Furthermore, a large proportion of the hospital personnel are highly specialized experts, such as obstetrical and operating room supervisors, laboratory and x-ray technicians, dietitians and others; these individuals cannot be replaced on short notice and are, therefore, assured of permanent employment. As over 60 per cent of our hospitals are under 50 beds capacity, it is obvious that such small hospitals cannot make much, if any, seasonal variation in their roster of employees, a roster which usually includes one technician, dietitian, cook, book-keeper, stenographer, engineer, groundsman, etc.

The only groups subject to intermittent employment are (1) the occasionally employed extra "general duty" nurses who are sometimes engaged for a few days or weeks during periods of peak loads, but who do not come under the provisions of the Act anyway, and, (2) scattered across Canada, a few maids who may be affected by the intermittent patronage of isolation units; these, however, are exceedingly few in number and are usually absorbed on other services. Other employees such as office workers, laundry workers, cleaners, technicians, seamstresses, orderlies, general maids elevator and switchboard operators, are practically certain of permanent employment except for cause or resignation.

[Dr. Harvey Agnew.]

2. *The cost to the hospital employees and to the hospitals for an insurance plan, from which the employees would have little likelihood of ever deriving any benefit, would be a heavy financial burden.*

The total personnel of the public hospitals of Canada (D.B. of S., 1940; 1938 figures) is 36,823. This is made up as follows:

Salaried Doctors	585
Interns	782
Graduate Nurses	7,205
Student Nurses and Probationers	9,448
Graduate and Student Dietitians	389
Others	18,414
 Total	 36,823

Of this number it is estimated that close to 20,000 employees, allowing for expansion in the interval, would come under the provisions of this Act. Private, mental and Dominion hospitals are not included in these figures.

In the time available it has not been possible to obtain accurate estimates of the likely cost, but preliminary estimates, based upon the calculations of a number of hospitals and taking 26 cents as an average weekly rate, indicate a contribution by the public hospitals for unemployment insurance of approximately \$270,000. The contributions by the hospital employees would probably exceed this figure. Therefore, the total annual contribution by the hospital field would probably be well over one half million dollars.

3. *Public hospitals are charitable non-profit institutions and should not be required to use their limited funds to bolster a fund from which their employees can draw little, if any, benefit.*

Our public hospitals are non-profit institutions, the great majority being operated by charitable organizations. No dividends are ever declared. Hospitals are exceedingly hard pressed financially particularly at the present time, because of the rising cost of providing up to date scientific care and the increasing demands upon their charitable services. As there is seldom any surplus and as operating reserves are unknown, the increased cost of operation arising from unemployment insurance premiums would have to be passed on to those among the patients who are endeavouring to pay their way or else be raised by reducing the services to indigent patients. Why should struggling non-profit charitable and benevolent institutions and their patients be required to pay for unemployment in commercial and industrial fields?

4. *This additional tax upon the wages of the hospital employees would be an unfair burden.*

Hospital employees are none too well paid as a group; they have never drawn the wages and salaries paid in many other fields. As they have little prospect of drawing benefits from this fund, this extra tax, coming as it would on top of the special defence tax, would be a severe burden indeed.

5. *Canadian Hospital Council requested exclusion in 1935.*

On a previous occasion, the hospitals gave serious study to the question of their inclusion in the proposed unemployment enactment of 1935. After careful consideration it was unanimously agreed at a general session of the Canadian Hospital Council that exclusion of the hospitals be requested. A copy of the resolution then passed is appended.

6. *Hospital strongly favour exclusion from the provisions of this Act.*

Immediately upon the announcement of the Bill, the Canadian Hospital Council undertook to obtain the views of the hospital field. Most of the provincial and other hospital associations have already made reply. Every

association making pronouncement to date has requested exclusion. Many individual hospital boards have met and formally voted for exclusion. Of all the hospitals covered by the replies received, only three individual hospitals are known to have expressed variance with this general opinion. A high percentage of the replies received were quite emphatic in their desire for exclusion.

Respectfully submitted,

HARVEY AGNEW,

Secretary-Treasurer

Canadian Hospital Council

RESOLUTION BY CANADIAN HOSPITAL COUNCIL AT OTTAWA
1935 MEETING ON UNEMPLOYMENT INSURANCE

Resolution:

Whereas there is a likelihood that employees of hospitals (other than nurses) will be included in the operation of the Employment and Social Insurance Act, and

Whereas the incidence of intermittent unemployment amongst those engaged in public hospital service is exceedingly low when compared with that prevailing in the same type of employment in other groups, and

Whereas our public hospitals are non-profit institutions and any funds diverted to the payment of unemployment insurance premiums must mean a diminution to that extent in the funds available for the provision of necessary service to those unable to pay for their hospitalization,

Be it resolved that this Canadian Hospital Council respectfully submit to the Commissioners directing the unemployment insurance plan the desirability of exempting employees of all public hospitals from the provisions of the Employment and Social Insurance Act.

The CHAIRMAN: Thank you, Dr. Agnew.

The committee adjourned at 1.10 o'clock p.m. to meet again at 4 o'clock p.m. this day.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: I understand, gentlemen, that it has been agreed that Mr. Hougham of the Retail Merchants' Association of Canada will make his presentation first. Is that agreeable? I understand that is the arrangement.

Some HON. MEMBERS: Yes.

GEORGE S. HOUGHAM, dominion secretary, Retail Merchants' Association of Canada, called.

The CHAIRMAN: Will you proceed, Mr. Hougham?

The WITNESS: Yes. We have prepared a memorandum which I shall read. To:

The Chairman and Members of the Special Committee of the House of Commons.

Ottawa, Ontario.

Gentlemen.—In presenting the following memorandum outlining the views of independent and family-owned retail establishments across Canada with reference to unemployment insurance, we regret that we [Mr. Geo. S. Hougham.]

have not had sufficient time to make as thorough and comprehensive a statistical analysis of the subject in its relation to the retail trade as its importance requires. There are bound to be numerous situations arise in the practical application of this Act which only a conference of the various types of retail trade could bring out. As just two instances of what we mean, our attention has been directed to a practice prevalent in a large specialty chain employing women exclusively. After an employee has been with this particular firm for one year she becomes eligible for payment of salary during absent periods due to sickness. The period of payment is extended according to the number of years of service with the Company. In a conference of retail stores.....

Which I might mention was hurriedly called yesterday.

....in which this particular company was represented, the question arose as to what the policy of the company ought to be, considering that it would be paying contributions for every one of its employees for fifty-two weeks a year. Should they or should they not regard an employee absent on account of sickness as unemployed and consequently eligible for payment from the unemployment insurance fund? Here is another case of a firm paying all of its clerks exclusively on a commission basis, and, as we read the act—

And I am subject to correction, because I have read some clauses since lunch which incline me to change my view.

—these people would not be required to pay into the fund. These instances are cited, not because of their intrinsic value but because they indicate the complicated nature of retail employment and, in our judgment, make out a case for a sufficient postponement of the application of this act in order to give all interested parties a fair opportunity for intensive study.

The Association's Position in Principle:—The position of this Association has been a matter of record for a number of years and has consistently maintained that, since unemployment in Canada has apparently become a permanent factor to reckon with—due partly to the mechanization of industry and to other world-wide economic and political factors—it is desirable that some well-thought out plan should be devised which will protect the victims of unemployment in such a manner as to maintain their self-respect and morale and that such a plan should not be conceived in a penurious spirit. We would be glad to see the status of the unemployed person receiving benefit changed from the humiliating charity basis to that of an insured person entitled by law to compensation. We, therefore, have no hesitancy in commending this government for implementing its pledge to the people of Canada that some such measure as is indicated in the foregoing would be submitted to parliament at the earliest possible opportunity.

Retail Contributions to Fund.—It is not inconsistent with that approach, we submit, that we now direct your attention to the general application of the measure now under consideration to retailers and their clerks right across Canada. We believe that statistics will support the statement that there is a relative constancy of retail employment as compared with other lines of industry except in so far as seasonal employment may be concerned, which in the retail trade is a negligible factor. Considered purely from the point of view of retail clerks as such, it is submitted that beneficiaries in this class will receive but a minute fractional amount in unemployment benefits as compared with the total amount of money that they and their employers will pay

into the fund. It would seem to us, therefore, to be reasonable to suggest that the same principle should apply to this measure as is inherent in the Workmen's Compensation Act, which provides for specific exemptions in non-hazardous occupations.

Alternative.—Since, in our opinion, the creation of employment is a mere desirable social objective than merely to pay people because they cannot find employment, we are of the opinion that a compulsory retirement fund in retail establishments would be a more satisfactory method of dealing with this problem.

Of course I am talking about retailing and not with regard to the entire problem.

Our thought in this connection is that a fund—to which the employer, the employee and the state would contribute—and a compulsory retirement age would make way for the younger generation, providing them with experience and incentive and, at the same time, relieving the older age group of that sense of insecurity and fear, which is so demoralizing.

Actuarial Insurance Principles Should Apply.—Pending the possibility that at some time our suggested alternative may be officially considered by parliament, we must, of course, confine ourselves to the actual measure with which this committee is dealing and, in the absence of comprehensive and authentic statistics with regard to retail employment, may we offer the suggestion that the Unemployment Insurance Commission should assemble its factual data in such a manner as to indicate clearly the total amount of money received from retailers and their employees and the amount of benefits received by retail employees from the common fund. At the moment, all that we can say is that a partial survey conducted by this Association would justify the statement that retail clerks as a class will not receive more than 5 per cent in unemployment benefits from the fund which their contributions and those of their employers and the state will make possible. That statement is based upon a survey of approximately fifty stores in towns and cities from Ottawa to Windsor, selected with a view to getting as fair a cross-section of retail business as possible within this limited field. The subjects of these questionnaires included a grocery store with four employees, a department store with 230 employees and, between these two extremes, a group representing shoes, hardware, men's furnishings, dry goods and furriers, employing anywhere from four to fifty people. We admit readily that such a survey is partial and inconclusive but its results do seem to justify the position that we take, which is that the rate of contribution paid by retail clerks and their employers should have some relation to the risk of unemployment in that field.

By Mr. Pottier:

Q. For how long a period did that survey last?—A. Five years. Continuing:

Experience Only Satisfactory Guide.—We submit, therefore, that, if our suggestion is adopted and accurate statistical information becomes available as to the contributions made by retailers and their employees, all parties concerned will then be in a much better position to evaluate the entire situation and it may then be in order to modify or amend the act or the regulations made thereunder in an effort to achieve reasonable equity. This brings us to our final recommendation.

Retailing Should be Represented on Advisory Committee.—There are estimated to be approximately 125,000 retail establishments of all kinds across Canada.

[Mr. Geo. S. Hougham.]

The Dominion Bureau of Statistics is the reference.

We do not know how comprehensive these figures are but, assuming them to be approximately correct and assuming not less than an average of two clerks to each establishment—

Which is a very low estimate.

—there would be approximately 375,000 people paying varying sums into the insurance fund each week. Our estimate of an average of two clerks to each store will be seen at once to be very low but, for the time being and for the purposes of this recommendation, we may let the figures stand, believing that committee members will recognize the figure to be conservative. We respectfully submit, therefore, that this large group of contributors and the amount of money which they will be called upon to pay constitutes an important factor in the unemployment insurance scheme and for that reason would seem to be entitled to a representative upon the advisory committee which we understand is contemplated by the act. Fortunately, this is a subject in which there is no conflict of interests as between corporate or independent forms of retail merchandising. The corner grocer, the chain store and the large departmental store have the same economic relation to this programme, the difference being purely one of degree as between them and there would consequently be no danger of embarrassing controversies within the field of retail distribution should our recommendations be acted upon in this particular.

Summarized, these representations take the position that:—

- (1) The association approves the principle of unemployment insurance.
- (2) We believe that it should be within the power of the commission to exempt any class which experience demonstrates does not come within the scope and intent of the scheme. We submit that it ought to be possible to apply the same principle to this measure as is applicable to all other forms of insurance and to the Workmen's Compensation Act which is permissive rather than mandatory in character.
- (3) Because of the hundreds of thousands of people engaged in retail distribution right across Canada who are affected by this measure and because of the enormous sum of money which they will be called upon to contribute, we respectfully suggest that the retail trade, as such, be represented upon the advisory committee.

In conclusion, the Retail Merchants' Association of Canada offers its facilities and experience to the commission in working out the details of this measure in a spirit of constructive co-operation. All of which is respectfully submitted.

By Mr. Reid:

Q. I think you are wrong there in that expression where you say the Workmen's Compensation Act is permissive rather than mandatory. I think in the province of British Columbia—and I can speak for that province, I think—unemployment insurance is mandatory and compulsory.—A. The Workmen's Compensation? Retailers are not included in it. Retail clerks are not included in it.

Q. They are exempted, but it is compulsory on all other classes.—A. Maybe so.

Q. You are using the word "permissive" in its broad sense.—A. Perhaps my phraseology is not quite correct, but the intent was to convey that retail clerks are not included in the compensation act across Canada. Are there any other questions?

By the Chairman:

Q. There is only one that I have. Are you suggesting that the retail trade be exempted from this act at all, or excepted?—A. We would like to suggest that.

Q. You are not suggesting it, though?—A. Officially I do not think we can do that. I do not think we can do that.

Q. That is all.—A. But we do feel that the nature of the employment in its relative constancy justifies its being put into a statistical record which would be available to all parties concerned later on. May I point out one thing more while I am on my feet; it is for purposes of clarification only and has to do with the question of commission and remuneration. I am not clear, as I read the act, what is contemplated. But if my understanding is correct, if a person derives his or her compensation exclusively from commissions, they are contemplated within the act. Is that correct?

The CHAIRMAN: No, I would say not. In subsection (1) of part 2 of the 1st schedule, excepted employment, it says:—

Employment as an agent paid by commission or fees or a share of the profits, or partly in one and partly in another of such ways, where the person so employed is mainly dependent for his livelihood on his earnings from some other occupation.

That would hardly apply. Generally, in the matter of commissions, they would be excepted from the act.

Hon. Mr. HAYDEN: It would appear from the wording here that if your livelihood is mainly from commissions, then you are not covered by this exception.

The CHAIRMAN: "And his employment under no one of such employers is that on which he is mainly dependent for his livelihood."

The WITNESS: I would like to raise this point, which is not for the purpose of obstruction at all but to point out to you how complicated this thing can become, and why we took the position we did take. There are considerable numbers of people in retail stores who earn their compensation by commission. Are they or are they not contemplated within this act? There are considerable numbers of people—I suppose they run into the thousands—who earn their living by selling merchandise from door to door, as direct representatives of manufacturers. They are not even commission agents, because in some cases they are required to purchase their outfits; they must buy their outfits from the company. They are theirs. The rate of labour turnover in those occupations is very high. If there is casual employment, it certainly is within that field; and yet, as I see it, they are not contemplated within this act. I merely raise such point to indicate just why we feel that the retail trade, as such, should sit in on this advisory committee, to be of assistance in elucidating matters of that kind; and there probably would be scores of others that would actually arise in practical experience.

The CHAIRMAN: When a situation such as that arose, I suppose, under section 42 it could be regarded as an anomaly, and power is given to the commission to make regulations in regard thereto. On the other hand you make the suggestion your representative should be on the advisory committee which would have to recommend as to various classes. You contend your representative should be included.

The WITNESS: That would appear to be the logical way out. I should just like to re-enforce the statement I made earlier in the brief. I have here

[Mr. Geo. S. Hougham.]

statistics that have been gathered even to-day from stores right here in Ottawa. It may not be generally understood by committee members that my statement is accurate as to the relative constancy of retail employment. You would be surprised, perhaps, if you knew that in two stores I know of within a few blocks of this building there has not been a lay-off for three years. And I think that could be duplicated all over Canada. There is, of course, week-end help and things of that kind that are not brought within the scope of this act.

By the Chairman:

Q. Have the Retail Merchants' Association suggested that the operation of chain stores has brought about the closing of a lot of small local stores?—A. Yes.

Q. Would there be some mortality there?—A. There is a high mortality.

Q. With consequent unemployment?—A. As a matter of fact, since you bring this point up, there must be hundreds to-day, even thousands of small retail store proprietors whose personal compensation to themselves is even less than they pay to their clerks.

By Mr. Reid:

Q. Of course, the city of Ottawa would not be a good comparison for continuity of employment because they have a constant payroll of \$20,000,000 a year that does not vary at all, and there is no other city in the dominion that has the same condition.—A. Agreed, but I could duplicate that elsewhere. I could take you to Kitchener or London or Windsor; I could take you to Winnipeg and duplicate experiences of that kind.

By Mr. Pottier:

Q. What is your percentage of assignments, for example?—A. It depends upon the nature of the business.

Q. In your retail stores, what percentage assign?—A. I would not be able to answer that. The Canadian Credit men would be better authorities for that than I would be.

Q. I am amazed at this 5 per cent over Canada.—A. I can readily appreciate your incredulity. I am not asking you to accept these statements without reserve, but I am suggesting to you that the statement itself warrants the assumption that the retail trade as such should be made the subject of separate statistical analyses so that you and I and everybody else will know a lot more about it in a year or two years than we do now.

Q. What you have done there is you have taken all businesses that have gone on for five years?—A. Yes.

Q. You have taken an isolated business establishment, but there have been some perhaps alongside of them that have closed out?—A. Yes.

Q. You are not taking those into consideration in setting up your average of 5 per cent?—A. No; I agree. I see your point but that again raises the question of how difficult it is for you or I in the absence of comprehensive statistics to make any very positive statement. Are there any further interrogations, Mr. Chairman?

By Hon. Mr. Mackenzie:

Q. Have you any figures of the number of retail stores closed in the last ten years in Canada? There were quite a few of them, were there not?—A. Quite a lot. Mortality is very high in the retail business.

Q. I suppose some employees would lose their occupation?—A. Yes, they would, correct.

By Mr. Hansell:

Q. Why should that be; people have to buy goods just the same?—A. Well, sir, you are leading us into the field of interesting speculation when you mention

this statement. An evolution has taken place in merchandising in the last decade. It is still working out its destiny, whatever that destiny may be, and if there be prejudice, it is certainly not from the desire to raise antagonism. You are seeing established in Canada to-day a merchandising monopoly. That may be an irresistible evolution. It may be something that neither you nor I nor anybody else can stop. But the point is in retail in particular it is true that distribution is getting into fewer and fewer hands.

Q. That is what I wanted to get on the record.—A. Well, it is there. Is there anything else, Mr. Chairman?

The CHAIRMAN: Thank you for your presentation. I think we will now hear from the Canadian Chamber of Commerce, if they are prepared to make their presentation.

Hon. Mr. MACKENZIE: Before we start with the Canadian Chamber of Commerce I want to state that we have received a communication from the Montreal Board of Trade supporting the representations made by the Canadian Chamber of Commerce.

Mr. NORMAN J. DAWES, called.

The WITNESS: Mr. Chairman and gentlemen, the executive of the Canadian Chamber of Commerce, whose membership is basically comprised of the active boards of trade and chambers of commerce across the dominion, welcomes the opportunity that has been extended to them to appear before this special committee of the House and to present their views on the Unemployment Insurance Act, which observations are in line with its previous communication to the Minister of Labour.

We should like first of all to make clear that the chamber's executive commends the government's desire to provide against the future ill effects of unemployment. Secondly, the chamber is anxious to co-operate with the government in attaining the most effective means of reaching the foregoing objective. Business has already demonstrated through its many individual company benefit plans that it is sympathetic to social security for wage earners. Irrespective of how worthy unemployment insurance is in principle, it is questionable, in the light of the experience of other countries, whether the immediate operation of state unemployment insurance will provide the best solution to Canadian unemployment conditions.

We realize that the government has given much consideration and study to the drafting of Bill No. 98, but its terms were only revealed with its introduction into parliament. Business generally, therefore, has not had an adequate opportunity of sitting in with the Department of Labour and thoroughly examining together the implications of this measure.

It is suggested, therefore, that rather than make immediately operative this important bill, which is being advanced in the closing days of parliament, it would be advisable to have a special departmental committee set up, charged to investigate with business and labour not only the practical application of the terms of this bill but also the advantages of alternate schemes.

It is difficult for the chamber's executive, moreover, to believe that this bill is a suitable wartime enactment. With the government, we recognize the need for Canada's war effort to take first place above all else in our public and private activities. The present bill, however, envisages the diversion of considerable administrative man-power and money from the war effort for what we hold is not an essential measure at this time. If, for instance, some other proposal, such as compulsory war savings or individual company employment assistance programmes, could be elaborated and implemented which would serve the common purpose and yet not have the effect of withdrawing so many resources from the prosecution of the war, such projects we believe then merit full and serious examination.

[Mr. Norman J. Dawes.]

The Canadian Chamber of Commerce in any case wishes to offer its co-operation and assistance to the government in the establishment of any machinery which may be designed to achieve best the desired effect.

That, Mr. Chairman, is our submission. This, of course, is going to cost an enormous amount of money to the state. In the last analysis it is the consumer that pays for all these services and taxes. Practically all the taxes and duties go into the price of the commodity. Consequently every consumer in Canada is bound to pay for any expenditures which the government make. Incidentally industry will have to make good these expenditures by either raising the price of their commodity or reducing wages. The wage earner is not able to do that and consequently will be at a disadvantage. This will catch every line even though they are not included in the act. Take agriculture. They will have to pay more for everything they buy. They compete in a world market. We service our external loans from our exports; and the price of exports is governed by the world markets, and therefore they cannot be raised or lowered at will. Therefore all these different expenditures are making it more difficult for our export trade to say nothing of our local trade. Deductions from payrolls already include purchase of war loan B bonds and war savings certificates, national defence tax, group insurance, sickness insurance, medical fee deduction, stock purchase plan deduction, pension fund deduction, ware wage tax in Manitoba, check-off tax in Nova Scotia, collective labour agreement tax in Quebec, hospital donations, in fact one corporation for instance is now deducting eleven points from their pay envelopes, and there is not any question if labour is to try to pay all this they will immediately ask for higher wages and perhaps be entitled to it.

Again I say we feel that this is not the time for the government to go into heavy expenditures that are contemplated in this act. Then, there is the question of what proportion of the payers into the fund will benefit by it. That, of course, is a question which is hard to examine. Take, for instance, a married man earning \$20 a week. He pays in 30 cents a week; if he has employment for thirty weeks he pays in \$9 and is entitled to six weeks' payment from the fund of \$12 per week, after waiting nine days. If after he receives this he obtains work again for another thirty weeks he pays another \$9 but he gets only two weeks' remuneration from the fund. After that, I do not know what happens to him. That is an extraordinary case, but that is what might happen to some degree.

I have no doubt all these things have been considered, but we feel that they are good arguments in favour of leaving this over until another session for discussion and study.

I should like now to call upon Mr. Jellett.

Mr. R. P. JELLETT, called.

The CHAIRMAN: Proceed, Mr. Jellett.

Mr. JELLETT: I do not think there is very much more that I can add. The Chamber of Commerce is concerned with the business of our own particular concerns. Those of us who represent business in the chamber are connected with businesses that we ourselves run.

We do feel a great concern at the constant addition of taxation, whether it is income tax, multiple taxes, as we have in Quebec, or the defence tax deduction. We have a feeling that it is perhaps quite crippling. That is too strong a word. Let me say rather that it must hurt our one chief concern, which is our war effort, if on this particular measure we launch out on a scheme that would require some thirty-five hundred employees to contribute as well as the contributions of millions of dollars on the part of corporations and the government. That is one reason why we are anxious to have some delay in order to consider it.

No one I think would attempt to deny the advisability of building up some protection for unemployment when wages are high and a great many persons are employed. But whether this is the best form in which that assistance can be rendered, we are not sure. That is one reason we plead for time.

I think there is nothing more we can say except that the already heavy burden of taxes and the vastness of the undertaking will cause fear in the minds of the people.

If you take any town or any small group of people there will be some differences of benefits. There is no question of that. Some people are in the excluded class, and some are not; they are close together and they will compare notes together, and these tribunals are going to have a tremendous job on their hands, which will be very costly. It will not set up goodwill; it will set up ill-will. We would like an opportunity of discussing it further when we have formed a more definite opinion, if it is possible to defer it.

The CHAIRMAN: Have you any further representations to make?

Mr. DAWES: I should be very glad to answer any questions.

By Mr. Reid:

Q. Did your Chamber take any interest in the bill of 1935? Did you make any representations at that time?

Mr. DAWES: A. Yes, we did.

Q. So this bill of 1940 is nothing new to you?—A. It is nothing new?

Q. No; it has been before you.—A. Yes; unemployment insurance is nothing new to us. We did not see our way to think that it was worth while then.

Q. You thought it was an inopportune time in 1935?—A. I would not say we had gone from bad to worse.

By Mr. Jean:

Q. What were your views in 1935?—A. Against unemployment insurance. We still feel that unemployment insurance does not cover as large a field, and I personally feel that a company savings plan might fill the bill better and with less expense.

I am just passing that on; I have not thought of the details, but it appeals to me more. I know some companies are trying it now, and it appeals to me more than unemployment insurance.

By Hon. Mr. Beaubien:

Q. Are there many industries that have that system at the present time?—A. I only know of one, and that is the C. I. L.

Mr. JELLETT: Also the Dominion Foundries in Hamilton.

Mr. McNIVEN: That is under the Annuities Branch.

The CHAIRMAN: No; it is a retirement savings plan. It is not intended to look after casual unemployment, such as unemployment insurance. It is the same as the Josslin plan in the United States, which was quite freely admitted as an admirable savings and retiring fund plan, but as an unemployment insurance measure it is not regarded to cover casual unemployment.

Mr. DAWES: The company I represent pays for six public holidays. In addition to that they have one to two weeks' holidays with pay. We have a minimum wage. We have employees' weekly sick benefits; we have pensions; accident prevention organizations at every plant, and committees of employees meeting at frequent periods to investigate and analyse the cause of accidents. We have a first-aid organization with first-aid classes conducted by the St. John's Ambulance Society. We have medical services, doctors, nurses, and a surgery and dispensary at the plant. We have periodic examinations; treatment of accidents; treatment of sickness; visits to homes and other welfare work including dental services and employees' recreational associations. Special atten-

tion is paid to working conditions, light and air, rest rooms, shower baths and lunch rooms. And of course we pay the difference between the military pay and allowance and the salary of the man who joins up.

By Hon. Mr. Mackenzie:

Q. These are all voluntary activities?—A. No expense to the employee.

By Mr. Jean:

Q. No deduction is made from their wages?—A. No deduction is made from their wages.

By Mr. MacInnis:

Q. I presume the cost of all that is taken out of production?—A. Naturally.

Q. Do not the employees produce the value that goes to pay for that?—A. The consumer pays for it in the last analysis. That is a small proportion of our taxes. Our company alone pays the federal government, I think, three and a half million dollars. Our tax bill is close on to \$5,000,000; so that we are paying our share so far as taxes and customs duties, and so on, are concerned.

Q. My point is that the workers in the industry must produce those values before they can be paid?—A. Naturally they get paid for their work.

Q. Surely, but they are not paid for the full value of their work, otherwise there would not be anything left.—A. They are paid for the full value of their work.

Q. They cannot be. They are paid the market price of their labour.—A. Our men are paid more than the market price of their labour.

Q. I am not sure; I cannot dispute that.—A. Well, I am telling you. That is a fact.

By Mr. Hansell:

Q. Would your share of the contributions be inclined to increase prices to the consumer?—A. No. The cost of our product is so high now that we cannot increase it.

Q. I mean generally speaking. In the manufacturing industry, for instance, would it be inclined to increase the price to the consumer?—A. The manufacturer cannot stand all these taxes; he has to do something with them. They reduce wages or else add it to the price.

Q. If it tends to increase wages then the price automatically increases?—A: Yes, on all commodities.

Q. Assuming that your contributions would add to the cost, have you any idea what percentage, generally speaking, that would amount to?—A. Of what?

Q. What percentage of the cost of production would be attributed to unemployment insurance?—A. As far as our company is concerned we pay an average of about 40 per cent of our gross income in taxes and duties.

Q. That is the aggregate?—A. Yes. That is a pretty good criterion.

Q. Take the case of a local manufacturer making an article that would cost \$10 to produce. The price rises because there are additional costs added into it and would be added into it now on account of this unemployment insurance scheme. Have you any idea—I suppose it would have to be worked out on a sound actuarial basis—how much that article would be increased by reason of this unemployment insurance scheme?—A. It all depends on what the article is and where it is manufactured, also the selling. Sometimes it requires more selling or more advertising. It is very hard to segregate the one expense.

Q. I recognize that. I was wondering whether it would be a noticeable burden to the consumer, or if it would be almost infinitesimal.—A. Of course, this added to everything else makes it a little bit more, and finally it is the last straw that breaks the camel's back.

By Mr. Roebuck:

Q. I should like to ask a question along the same line. I wanted to take issue with your statement that you added the cost of a number of the excellent social services which you have enumerated to the price of your goods which the customer pays. I suggest to you that many of these services pay for themselves, and I instance the accident service, the service rendered by the doctors and various things of that kind which contribute to the health and comfort of your staff.—A. You are perfectly right. We look on it partly that way. We look at it from the humanitarian point of view. We look at it from the work we get. We get better work. We also look at it from the standpoint of the health of our employees. Of course, if they are healthy, they give better work anyway. You are perfectly right.

Q. I wanted to be sure about that—A. I spoke against myself there.

Q. Because I would like to ask you another question built on that foundation. Is there not at least the possibility that a portion at all events of the cost of this scheme may pay for itself in added security to your employees, better workmanship, less difficulties when your employees are let out, and so on?—A. We have not let out one permanent employee for ten years, since the depression began.

Q. You have not yourselves, but that is not general.—A. You see, I instanced the minimum wage. We try to give them work so that no man goes out of our place unless he has a certain amount in his pocket.

Q. Well, that would be in your own case where you have not let anybody out, but, of course, that is not general in Canada.—A. No. Some manufacturers cannot afford to go as far as that.

Q. Is it not possible that in their cases the cost of this insurance may be borne not by the consumer but rather pay for itself?—A. Well, no, because if his men do not get any remuneration out of this plan through not losing their employment he would have to pay for that anyway. Besides that, of course, they are looking after a lot of others whom this scheme does not touch at all because they are not employed now and probably never will be employed.

Q. I wanted a little explanation of a sentence I found in a letter which you were kind enough to send to the members of parliament. In the fourth paragraph you say, summarizing, as I take it, the objections that you would raise:—

"Another addition to the present deductions from the workers' wages may lead to further demands from labour and add generally to its unsettlement in war times."

What are you anticipating there?—A. If, in some cases the wage earner will not be able to pay, this may be the last straw and consequently he will have to get increased wages.

Q. Yes, but what further demands are you anticipating from labour as a result of the passing of this bill?—A. That is a demand.

Q. That the wages may be increased because of the cost of the contributions?—A. Yes.

Q. Do you think from your own experience that an addition of 12 cents, 15 cents or 18 cents a week would result in a demand for an increase in wages?—A. If you take off all the other drains on his wages, no. It is the same old story of the last straw which broke the camel's back.

Mr. JELLET: If it works Mr. Roebuck's way isn't it the same as the old saying that if you lift a calf every day from the day it is born that you will eventually be able to lift the cow? This 12 cents won't, but enough of them will.

Mr. REID: That is where we differ.

By Mr. Pottier:

Q. I notice in the second last paragraph of your memorandum submitted to-day you say this: If, for instance, some other proposal, such as a compulsory war savings or individual company employment assistance programs, could be elaborated and implemented which would serve the common purpose and yet not have the effect of withdrawing so many resources from the prosecution of the war, such a prospect we believe then merits full and serious examination?—

A. Yes.

Q. What schemes are going to give these benefits which would not require the resources?—A. Well, the voluntary savings scheme.

Q. You mean to say, if you had the \$100 it would give as much benefit as under this Act?—A. Why wouldn't it? It would not cost as much to service.

Q. Servicing is not a big item.—A. On servicing you are to pay out \$5,000,000, and the experience in other places I understand shows that the cost is mounting as the years go by.

Q. Well then, you are only referring to servicing there when you say, not so many resources. You are saying to us; all right, we have some other scheme that will cost nothing and will not affect the war effort; I am saying to you that no matter what scheme you have it is going to cost you more than the benefits that you give.—A. Well, you have to admit that this scheme will cost more than the scheme suggested by the Unemployment Insurance Act. The work will all be done by the individual companies under the savings scheme. Now, I am not prepared to argue the details of this because I have not thought it out in detail, but it seems to me on the surface that this is a very much more inexpensive project and is worth considering; that is all I say, it is worth considering.

Q. And all you have in mind is the difference, the saving in administrative cost; that is the resources you are talking about, that it would not take so many resources. That is the point I wanted to clear up.—A. And besides that it would cover more people. It could easily spill over into the agricultural classes or any other class.

By Mr. McNiven:

Q. You said that in 1935 the chamber of commerce was opposed to the bill before the house?—A. No, we did not make any representations, not in writing. We did make verbal representations.

Q. The second last paragraph of your submission contains a reference to the advantages of alternative schemes. Has the chamber of commerce since 1935 recommended any alternative scheme to the country for adoption?—A. No, but we have studied individually certain schemes and adopted other services for our employees.

Q. There is no comprehensive scheme advanced by the chamber of commerce?—A. We thought this was dead. I understand there is a different government in now.

Q. In the light of the experience of this country between 1930 and 1935 when employees by the hundreds of thousands were thrown out of employment why should such a scheme be dead?—A. You are not attempting to insure against depression, that is impossible.

Q. We are providing a cushion for the depression.—A. Well, figure it out, see how much a man will get out of it after he is in ten years.

The CHAIRMAN: If he were employed steadily for five years he would get one year's benefit.

The WITNESS: If he is employed steadily.

The CHAIRMAN: For five years.

The WITNESS: That is, if he lost his job at the end of the five years.

The CHAIRMAN: Yes.

The WITNESS: But if he didn't he would not get anything.

The CHAIRMAN: Well, we do not have to provide for him as long as he is employed.

By Mr. MacInnis:

Q. You are objecting to this scheme now because it is not comprehensive enough?—A. We have not had time to consider it.

Q. You said you had a scheme that would not cost so much, which was more workable.—A. I did not go as far as that. In some cases it would be more workable, but there would be some cases it would not touch at all.

Q. Any scheme such as this which involves 2,100,000 out of a total of 3,000,000 wage earners throughout the country is not really a small matter.

The WITNESS: I understand it is claimed that this is actuarially sound.

The CHAIRMAN: Yes, that is the report of our actuaries.

By Mr. Jean:

Q. I understood you to say that there were some schemes under which the employees have no deductions from their wages?—A. Ours do not; that is, with the exception of the bonds. I may say that our employees subscribe at a rate of about \$300 per employee to these baby bonds.

Q. Have you got any idea of the percentage of deduction from wages?—A. No, I have not had that experience, because we do not deduct it.

By Mr. Chevrier:

Q. Did I understand you to say that you are opposed to this scheme because of the pooling feature of it?—A. I did not say that I am opposed to the scheme, simply that we want time to study it. We feel that surely if it were left over to another year there would not be any harm done.

Q. You suggested a moment ago some reserve plan; is that the plan that we have heard quite a little bit about called the war savings certificate scheme?—A. I did not refer to that, I just referred to the individual company savings plan.

Q. Is that along the same lines as the scheme sponsored by the Canadian Manufacturers' Association?—A. No, it is not; although, as I said, I have not got the details worked out in my mind. All we are asking for is time, and we do not feel that it is so terribly pressing, there is nobody pressing for it that we know of.

By Mr. Reid:

Q. You do not think there would be any danger if we left it over for a year of its not being introduced not because of lack of merits but because of other considerations?—A. That would be all the more reason why you should not go into it now.

Mr. REID: That is all the more reason why we should proceed with it now.

The WITNESS: I do not agree with you, of course.

Mr. HANSELL: Mr. Chairman, a great deal has been said with regard to the cost of the administration of the Act. I understand that the government itself is going to bear that cost. Is that not so?

The CHAIRMAN: That is correct.

Mr. HANSELL: Well then, I can hardly see why it is reasonable for the manufacturers to object to that for the reason that about \$5,000,000 is going to be used eventually for the purchase of goods. This \$5,000,000 that it costs to administer the Act is going out for employee in salaries and so forth which will automatically be spent again, and if it is not included in the expense of the scheme itself there is just that much more money.

[Mr. R. P. Jellett.]

Mr. JELLETT: Of course, that is just the old idea of everybody being employed and then everybody will be wealthy and happy.

Mr. HANSELL: It does not make any difference, there is an expansion of credit there, and I am going to say that industry would not exist if it were not for the expansion of credit.

The WITNESS: If it was not for expansion of credit, where would we be then if we had no industry?

Hon. Mr. MACKENZIE: I think we are touching on dangerous ground.

Mr. HANSELL: Maybe you are right. I was just pointing out that the people who are objecting to the cast are perhaps in the end the people who are going to benefit most.

The WITNESS: Who are going to pay for it too.

Mr. GRAYDON: Is this not a question for the Banking and Commerce committee?

The WITNESS: I was going to ask Mr. Mitchell to say a few words.

The CHAIRMAN: Yes, by all means.

Mr. ALLAN MITCHELL, called.

The WITNESS: Mr. Chairman and gentlemen: I think that Mr. Dawes and Mr. Jellett have expressed the opinion of the Chamber quite ably. There is only one thing I would like to add, that is that the Chamber of Commerce represents a great number of businessmen throughout Canada. They are not all large businessmen. A great many of them are very small businessmen, quite a number of them would have annual sales of perhaps \$100,000 or \$200,000 a year. Now you are asking them all of a sudden; and I do not deny the fact that the Labour department have their experts here on labour matters who have studied this matter for twenty years; and you are suddenly asking the businessmen of Canada to create an industry which is going to collect \$55,000,000 a year through this bureau, and you are putting the whole thing in front of them very suddenly, and we fear that you are going to push this thing through and we are not going to have ample opportunity to go over it paragraph by paragraph and consider each item in turn and argue all these points out as we would like to do with experts that we might obtain and come to some conclusion that might be acceptable to everybody. I think that our principle argument here to-day is that we make an appeal for delay so that we can have an opportunity to make a proper study of the proposal.

By Mr. Reid:

Q. You are not against the principle of unemployment insurance?—A. Well, of course, I do not know that there is anything in our brief that says we are against the principles of unemployment insurance, the thing that we are objecting to—

Mr. REID: I am asking you a question.

The WITNESS: Well, I do not think there is anything there. You see, it all depends on the business you are in.

The CHAIRMAN: Mr. Mitchell, when you made representations in 1935 were you opposed to the principle of the bill? Did you go before the Senate committee at that time?

The WITNESS: We did not go before any committee. I do not think there was a committee. We simply represented our views to the different ministers, that is all.

The CHAIRMAN: It would not be fair to ask what those general views were, would it?

The WITNESS: I would say that in 1935 that the thing had not been crystallized. There was not any real likelihood of that bill going into effect. All

you had to do to assure yourself on that point was to follow Hansard and listen to the arguments of the Opposition of that day. You would have seen that the whole thing was illegal in the opinion of the then Opposition. Therefore there was no need for the Chamber of Commerce to worry about it.

Mr. GRAYDON: They apparently had a lot of confidence in that Opposition.

The CHAIRMAN: If there are no further questions, I wish on behalf of the committee to thank you, Mr. Dawes for your attendance before us to-day representing the Chamber of Commerce; also to thank Mr. Jellett and you also, Mr. Mitchell.

Mr. CLARKE: Mr. Tolchard is going to speak. He is from the Toronto board of trade.

The CHAIRMAN: By all means, Mr. Tolchard. I thought Mr. Dawes indicated that Mr. Jellett and himself were going to speak, and introduced Mr. Mitchell.

Mr. CLARKE: This is a different body, Mr. Chairman, but one of our members; he is representing the Toronto board of trade.

The CHAIRMAN: Very well. Proceed, Mr. Tolchard.

F. D. TOLCHARD, general manager, Board of Trade of the City of Toronto, called.

The WITNESS: Mr. Chairman and gentlemen of the committee: Before I submit the brief statement which I have here, I think probably a brief explanation will be in order as to the interests which I am representing here to-day. You may feel that the representatives of the organizations that have already spoken probably represent the local interests, and we are a local body. That is true to a considerable extent, but we happen to have within our organization and also as affiliated bodies a number of groups which we term trade branches, taking in certain parts of the wholesale trade, book publishers, dairies, grain dealers, fuel dock operators, retail coal dealers, power laundry operators, departmental and large retail stores and so on. Some of these are purely local and some of them cover the whole of the province of Ontario. One or two cover eastern Canada from Ontario east to the Atlantic coast and some cover the whole of the Dominion. I thought that explanation should be made to show the little difference there may be between the interests that have already spoken and the interests that I am representing in a general way here to-day. My statement reads as follows:

The Board of Trade of the City of Toronto respectfully requests that House of Commons Bill No. 98, "The Unemployment Insurance Act, 1940", be not enacted at the present session but deferred until the next session of parliament in order to permit all interested reasonable time within which to consider the legislation and submit their views thereon to the proper authority.

A copy of Bill No. 98 was not received until Friday morning last, July 19th. It is physically impossible for any individual within the course of a few days to study legislation of such widespread application and importance and determine its effect upon any particular business or group of employees. Likewise, no organization such as the Board of Trade of the City of Toronto, which includes in its membership several hundred firms engaged in a great diversity of businesses and employing men and women on various bases of remuneration, could consult with its members and obtain their views on the proposed legislation so as to be in a position to intelligently speak for them in less than several weeks' time.

[Mr. F. D. Tolchard.]

The statement has been made that, as unemployment insurance legislation was enacted in 1935, employers have had ample time in the interval to study all its phases and reach their conclusions with regard to it. Consideration, however, could not be given to a legislative measure, the contents of which were not known. We would submit, too, that conditions in commerce, industry and finance to-day and prospects for the next few years are entirely different to those which prevailed in 1935. To-day the country is at war, as the result of which a false prosperity is being developed which will probably continue until the close of the war and possibly for a short time thereafter. There is reason to believe that, upon the cessation of war activities and the return to civilian life of the many thousands of people who have been engaged therein, a depression in business will be experienced, the extent or intensity of which cannot now be foreseen. It will be contended, doubtless, that this is the reason unemployment insurance should be introduced at this time to build up a fund to care for those suffering from unemployment during the depression. It should be remembered, however, that business is not in a period of prosperity when profits are available for welfare and other purposes as in the ordinary course of business. Business, as well as persons, in Canada are bearing the heaviest taxation in their history, while governmental supervision or regulation restricts profits, particularly with regard to war supplies and staple commodities which constitute a very substantial part of the volume of Canadian business. Much of this new taxation has been so recently imposed upon business and persons, the budget having been brought down as late as June 24th last, that it has been impossible, as yet, in many instances to determine its results in curtailing purchasing power and, consequently, the effect upon the volume of business and profits thereon. Warnings have been issued also by the Minister of Finance and other members of the federal government that further heavy taxation imposts may be expected as Canada's war effort progresses.

Until, therefore, business can adjust itself to the new basis of taxation and conditions arising therefrom, and has had reasonable opportunity to study the proposed unemployment insurance scheme and its application to existing conditions and the prospects in business for the duration of war and sometime thereafter, it is respectfully submitted enactment of the Unemployment Insurance Act, 1940, should be deferred.

A cursory study of the proposed legislation reveals several points which require very careful consideration and emphasize the need for conference with the interests affected.

- (a) Employers with a constancy of employment are subject to the legislation in the same manner as employers with a large turnover of labour. This is inequitable. Employers whose staffs are subject to very little unemployment and who take care of their unemployment problems should be given the opportunity of being exempt from the general scheme of unemployment insurance upon posting adequate security for the performance of any reasonable obligation in connection with their own employees or should at least be entitled to a reduction in contributions in view of their favourable employment record. These employees should not be penalized for the benefit of the unemployed in another industry or even other establishments within the same class of business.
- (b) To the extent that unemployment insurance and other additional charges, such as higher taxation, cannot be absorbed by employers, higher prices will be inevitable. The result will be

to limit Canadian export possibilities because of the disadvantage under which Canadian exporters may be placed as compared with foreign competitors for export trade.

(c) Item (b) in Part I of the first schedule of the bill would indicate that employees of the federal, provincial and municipal government are subject to the terms of the act, while item (k) of part II of the first schedule seems to except governmental employees. These items are contradictory and should be clarified. If the intention is to except governmental employees on the ground that their employment is permanent in character, it is difficult to see how this action is justified when employees of financial and other institutions in which employment is just as constant as the government service are made subject to the terms of the legislation.

I think probably this next point is simply to suggest that we feel that it is desirable, in order that the bill may be properly understood, that the reports of actuaries should be made available. I understand they have since then been made available and we should like to have the opportunity of looking them over.

(d) The legislation has not been supported, as yet, by an actuarial report to show that the plan as proposed is actuarially sound. In view of the large contributions to be made by employers and employees, they are entitled to such an assurance by recognized competent actuaries before the legislation is enacted.

These and other problems which are sure to arise as employers have opportunity to study in detail the terms of the unemployment insurance measure as applied to present business conditions and prospects indicate the importance of ensuring that ample time is afforded all interested for this purpose before such major social legislation is enacted. This cannot be done in the short time available at the present session of parliament and, as it is likely parliament will again meet within the next six or seven months, it is recommended that final action with respect to the enactment of Bill No. 98 be deferred until that time.

Hon. Mr. MACKENZIE: While I appreciate very much the very valuable suggestions that have been made, I cannot accept these repeated statements that this bill has, all of a sudden, been thrown upon industry. It has been well known since 1935. It was thoroughly discussed then, and the main essence of this bill is practically the same at that of 1935, with the exception that there are graded rates provided instead of flat rates. That was most thoroughly discussed for five years. Notice of this bill was given on the 16th of May. The Prime Minister gave notice in the house last year that we were going to proceed with unemployment insurance, and it has not, all of a sudden, been thrown upon industry. Ample notice has been given that it was going to be considered by parliament at the present session. I wanted to put that on record as my own opinion.

Mr. POTTIER: It seems a rather strange situation to have the representatives of labour come here apparently fully aware of the details, ready to meet it, saying they have been studying it for years, and making no complaint in that regard. On the other hand we find the manufacturers, the retailers and members of chambers of commerce come here and they know nothing about it. That is a strange situation. Here we have labour knowing everything and the others knowing nothing. That leads me to one conclusion, namely, that labour has been awake and the other fellows have been asleep. That is putting it quite frankly, and I cannot see anything else in it except that they want delay. I do not know, but it looks that way.

[Mr. F. D. Tolchard.]

Mr. DAWES: We do not all live in Ottawa.

The CHAIRMAN: No. But, Mr. Dawes, you have had a committee studying it, I thought you said, for years.

Mr. DAWES: No, I did not say that.

The CHAIRMAN: I understood you to say that a committee of the Chamber of Commerce had been studying it.

Mr. DAWES: No; we have not had time to study it at all.

The CHAIRMAN: Not this particular bill but unemployment insurance generally.

Mr. DAWES: No. I said individually that industries are studying this unemployment question and social service to their employees.

The CHAIRMAN: I beg your pardon, Mr. Dawes.

Mr. GRAYDON: On the point that was raised by hon. Mr. Mackenzie a few minutes ago, I wish to make a few remarks. I do not think there is anyone in this committee who is more in favour of a scheme of unemployment insurance than I am. I have advocated it ever since I have been in public life, so that no stigma can be attached to me when I say that there is, perhaps, some justification for saying that this bill was put before this house too late in this session. I am not suggesting that there should be a delay to another session of the house at all. I do not agree with that. But I do think, after what Mr. Mackenzie has said in defence of the governmental action in this matter, something should be said in reply. I could never see, as I pointed out in my address to the house on the resolution before this bill was proposed, why the address could not have been sent in the earliest days of this session to the British parliament. The authority could have been given for the amendment to the British North America Act at the beginning of this session. I cannot see yet why this bill was not before the house at the very earliest date. I realize that the Prime Minister gave an explanation, but it was an explanation that far from satisfied me; because I believe that these men and others who appear before this committee ought to have, in any event, ample time to present their case in two or three weeks, which we would have had to have dealt with the bill. I only say that in answer to Mr. Mackenzie, because it does seem to me that there is some responsibility attaching to the government for bringing in this bill in at the dying days of the session. I have no intention of holding it up. I want it to be enacted and put into legislation this session; but I do not think that a statement of that kind should go entirely unchallenged.

Mr. JEAN: Mr. Chairman, I understand that it was necessary to have the consent of all the provinces before sending an address to the British parliament.

The CHAIRMAN: Quite.

Mr. JEAN: When did we receive the last consent?

Mr. McNIVEN: In recent weeks.

The CHAIRMAN: It has been since parliament assembled.

Mr. DAWES: May I say that I do not think you have had any complaint from industry and business of any taxes that have been levied during the war period. We are here, we feel, in a constructive manner. We are not coming up here for fun. We have an earnest desire to have the best possible amelioration for the worker. So far as I am concerned, and anybody that is with me, that is all we are here for. We have come up here at considerable inconvenience, you might say, but we think it is worth while. We have stated our views and that is the best that we can do.

Mr. JEAN: Mr. Dawes, have you ever taken the views of your employees on the principle of that bill?

Mr. DAWES: No, but I guess I can give them to you now, because they would not benefit from it. They would have to pay in and they would not benefit from it, so I do not think they would be very favourable to it.

Mr. McNIVEN: Would the Chamber of Commerce like to make a presentation at a subsequent date?

Mr. ROEBUCK: Mr. Chairman, I think it ought to be on record that the resolution was introduced in the house by the Prime Minister immediately upon the receipt by him of the last consent from the last province, and there was no delay in that regard:

The CHAIRMAN: I would put it this way. It was introduced by the Minister of Justice, I will not say immediately after the receipt of the last consent of the last province, but I will say it was introduced immediately after attention was given to the absolute war work which it was necessary to bring before parliament. Had we brought it in before we had attended to our war work, I imagine that criticism might have been suggested that we had better leave this until we attended to the absolutely vital interests of war.

Mr. REID: I think, Mr. Chairman, in view of the statements made on behalf of the delegation by Mr. Dawes, it would not be amiss to ask him for a direct statement as to whether he and his group are in favour of unemployment insurance, or the principle of it, on behalf of the workmen.

Mr. HANSELL: That is a good question.

Mr. REID: You are either for the principle or you are against it. You come here asking us to delay this.

Mr. HANSELL: There seems to be some suspicion as to whether they want a delay in the enactment of this because they are against this or because they want delay in order to settle the details.

Mr. REID: Let us be frank. Let us have your views.

Mr. HANSELL: Let us know definitely.

Mr. REID: Let us know if the employers of labour are against the principle, because you are asking to delay the bill. Is it from the point of view that you are with the principle but you want to see the ramifications of it or is it because you are against the principle?

Mr. DAWES: We are not here to express our own personal views; we represent the chambers of commerce and boards of trade right through the country, so we have to communicate with them before we get up here and give any definite statement. That is another reason why we cannot say definitely—

Mr. ROEBUCK: That is some light we are getting now.

Mr. DAWES: That is all right. If you had asked me before I would have given it to you. I am not trying to hide anything.

Mr. ROEBUCK: Would you answer this question: Are you opposed to the principle of the measure or can you answer that question?

Mr. DAWES: Personally?

Mr. ROEBUCK: Well, no.

Mr. DAWES: I am not here to express a personal view. As I say, we would have to communicate with all of the individual boards of trade and chambers of commerce.

Mr. MACINNIS: Are you representing to-day your own particular industry or are you representing the Canadian chambers of commerce?

Mr. DAWES: The Canadian chambers of commerce.

Mr. MACINNIS: If you are representing the Canadian chambers of commerce can you not give us the chambers' attitude on unemployment insurance?

Mr. DAWES: We are telling you why we cannot, because we have not had sufficient time to consult our member boards or to study the act.

Mr. MACINNIS: You must have considered it somewhat because you say it is not a desirable thing at this time.

Mr. DAWES: I personally think it might be left until after the war.

Mr. MACINNIS: Your brief states this: "It is suggested, therefore, that rather than make immediately operative this important bill, which is being advanced in the closing days of parliament, it would be advisable to have a special departmental committee set up, charged to investigate with business and labour not only the practical application of the terms of this bill but also the advantages of alternate schemes." Then, following that you say, "It is difficult for the chamber's executive, moreover, to believe that this bill is a suitable wartime enactment." Then, whether you are favourable to unemployment insurance or not it is indicated in this brief that you are opposed to the enactment of this bill under any circumstances no matter how much opportunity you would have had to discuss it.

Mr. DAWES: We do not say that in our brief.

Mr. MACINNIS: Well, I think so. You say: "It is difficult for the chamber's executive, moreover, to believe that this bill is a suitable wartime enactment."

Mr. DAWES: Well, I agree with that. I do not think it is a suitable wartime enactment.

Mr. MACINNIS: The amount of time you have to consider the bill would not alter that?

Mr. DAWES: It would not alter that point of view unless our members voted for it.

Mr. MACINNIS: Again that is the point of view of your members. You are representing the chambers of commerce point of view.

Mr. DAWES: Yes.

Mr. MACINNIS: The point of view of the chambers of commerce is that it is not a suitable wartime enactment.

Mr. DAWES: Yes; unless we see that it is sound and it is going to have the desired effect.

Hon. Mr. HAYDEN: You personally have not determined whether you are in favour of the principle of unemployment insurance. Studying the bill would not decide whether it is in workable form or whether there is some better way of carrying out the principle of unemployment insurance.

Mr. DAWES: Judging by experience in other countries it does not seem that unemployment insurance, unless it is actuarially sound, has the desired effect; that is, gives relief to the individual, a large individual number of employees.

Hon. Mr. HAYDEN: What I say is—

Mr. DAWES: It nearly broke England.

Hon. Mr. HAYDEN: You do not have to study the particular terms of this bill to decide whether or not you are in favour of the principle of this bill.

Mr. DAWES: In Germany the bill was well organized and sound but they went ahead and took in one category after another without any payment and they ran up a bill of nearly \$400,000,000.

Hon. Mr. HAYDEN: We are told this is actuarially sound.

Mr. DAWES: Well, it was when it started in England. I do not know whether it is considered actuarially sound in England to-day or not but it was handed over to a committee without any jurisdiction of government or politics.

Hon. Mr. HAYDEN: I was not addressing myself to that point. What I said was this: In order to determine whether or not you are in favour of the principle of unemployment insurance, you do not have to study the particular means that this bill takes to work out that principle.

Mr. DAWES: You do not have to study the particular means but you have to go by experience. It is a poor person that cannot go by experience.

Hon. Mr. HAYDEN: Very poor.

Mr. DAWES: The experience in England was it did not work unless it was taken out of the hands of politics and government. I am not saying that our government could not run it right, but they could not run it right in England. It jumped from 2,500,000 to 11,000,000 beneficiaries and they ran up a bill of five hundred million pounds.

Mr. REID: There were a lot of other factors that entered into it in England. You could not give the story in a few minutes.

Mr. DAWES: No.

Mr. MACINNIS: Do you know of any country that enacted an unemployment insurance measure and repealed it later on as being unsatisfactory?

Mr. DAWES: In Germany and England they had to change it. That Act went through and then in 1931, I think is was, they had to enact another one.

Mr. MACINNIS: They amended the act.

Mr. DAWES: You would not know it.

Mr. MACINNIS: This act may be amended as time goes on.

Mr. DAWES: We want you to amend it now. We suggest you amend it now and make it right.

Mr. MACINNIS: You recommend we do not enact it now.

Mr. DAWES: That is it.

Mr. MACINNIS: That is far different from amending it.

Mr. DAWES: Unless you study it you cannot amend it because you think it is right.

Mr. JELLETT: Is there not a great danger in forcing us to say whether we are in favour of unemployment insurance as a social measure, of confusing that with whether we believe that this war should be prosecuted to the utmost? In any event to that extent we think this thing should be deferred. Is it essential we should declare ourselves as a chamber or as a body on unemployment insurance when we urge that we think that our main efforts should be directed towards the war?

Mr. MACINNIS: It may be easier for you to give that answer than to declare yourself on unemployment insurance.

Mr. REID: You have not even said you were in favour of unemployment insurance. You have not even given the committee any indication with regard to the question I asked you.

Mr. JELLETT: There again—

Mr. REID: You have to take one stand or the other. You have to say whether you are in favour of the principle or the bill. I asked you if you were in favour of unemployment insurance for the working man.

Mr. DAWES: Why do you ask us that; we cannot declare ourselves until we consult our committee.

Mr. REID: I asked you the question.

Mr. DAWES: Yes, and you are asking it again and you want the same answer again?

Mr. REID: I am asking it again because I have not got a clear answer.

Mr. DAWES: That is pretty clear.

Mr. ROEBUCK: May I try to clarify this?

Mr. JEAN: If you had studied it you might come to a different conclusion, because you are open to conviction.

Mr. ROEBUCK: May I try to clarify this as to why these questions are asked of you? You have asked us to delay the enactment of this measure and you have also put in our hands a memorandum which says that you are opposed to the

[Mr. F. D. Tolchard.]

adoption of such a measure during wartime. I take that to be the meaning of the sentence contained in the statement. Now, then, you have asked us to delay this bill. If we delayed and you studied the small details of the bill is there any prospect of your coming back and changing the position which you now take?

Mr. DAWES: There might be if our member boards would consent.

Mr. ROEBUCK: Because of the examination of more detail of the bill?

Mr. DAWES: The bill as a whole—

Mr. ROEBUCK: You have had the greater part of the bill—90 or 95 per cent of the bill—in your hands since 1935 and you can separate the new from the old in a few minutes. If we were to accede to your request and delay this measure is there any chance at all of your reversing the position which you have taken in that you are opposed to this measure as a wartime enactment?

Mr. DAWES: As far as the executive of the Canadian Chamber of Commerce is concerned, they are in the hands of their member boards.

Mr. ROEBUCK: Then you cannot tell that there is any chance except you took some sort of a plebiscite? take about three weeks to do that.

Mr. DAWES: Unless the member boards agreed or direct us, and it would

Mr. McNIVEN: The Chamber of Commerce has an annual meeting?

Mr. DAWES: Yes.

Mr. McNIVEN: Have any of the annual meetings since 1935 included on the agenda the question of unemployment insurance, and dealt with that situation?

Mr. DAWES: It has been discussed but no resolutions made on it.

The CHAIRMAN: I wonder if I could ask one question. Running through the file I noticed that some of the individual branches of the Chamber of Commerce sent a letter endorsing the resolution that was passed by the Manufacturers' Association as early as the 31st of May at Winnipeg; that is, two weeks after parliament sat, requesting that it be left over for another session. So the suggestion of the dying days of parliament does not carry so much weight when just within two weeks of the time parliament sat there was a suggestion made that it be laid over for another session.

Mr. CLARKE: Just to clarify that point about the war statement in our memorandum, may I say the reason we say that the executive does not believe it is a wartime measure, is based on our policy as adopted in February at our convention. We see at once the practical danger in the fact that the taxpayer may look on it not in respect to direct war expenditures which are accepted as an inclusive obligation, but under the heavy expenditures of the dominion government under state accounts that are being urged perhaps or justified as necessary because of conditions arising out of the war; and we can pass that paragraph which was referred to in that statement but we cannot give any commitment on unemployment insurance.

The CHAIRMAN: I think, gentlemen, we have had a pretty complete discussion.

Mr. POTTIER: I understood Mr. Tolchard made a point that this would be unfair to our export trade in that it would affect the price of the manufactured articles, I presume.

Mr. TOLCHARD: Yes.

Mr. POTTIER: What countries were you thinking of that we would be competing with in these manufactured articles?

Mr. TOLCHARD: As I pointed out, we have not had sufficient opportunity to go into that. I simply made the statement that these charges could not be

taken care of except by adding them to the price of the goods, which would increase your cost and which would place you at a disadvantage in the export trade.

Mr. POTTIER: Well, now, with whom; what countries were you thinking of when you said our export trade would be affected?

Mr. TOLCHARD: I know in our organization we are getting many inquiries from South America and there is considerable—

Mr. POTTIER: With what manufacturing countries would we be competing?

Mr. TOLCHARD: The United States, for example.

Mr. POTTIER: They have more expensive premiums than we have.

The CHAIRMAN: They pay 3 per cent.

Mr. POTTIER: Great Britain pays more.

Mr. TOLCHARD: It would add to the laydown cost of your goods.

Mr. POTTIER: However, I just wanted to see the basis of your statement.

The CHAIRMAN: Gentlemen, I should like to thank you on behalf of the committee for your presentation. The next witness is Mr. Norman Dowd of the All-Canadian Congress of Labour.

Mr. NORMAN S. DOWD called:

The WITNESS: Mr. Chairman and members of the committee, I propose to place before you a very brief memorandum. I regret I have not sufficient copies for all the members of the committee. I will be glad to have them in your hands in the morning. I also wish to say I do not propose to make any analysis of the bill because I feel that was done quite adequately yesterday by the assistant deputy minister and the officers of the Department of Labour. The whole background of unemployment insurance and the various plans were quite fully sketched. I do not propose either to offer any rebuttal to the arguments which have been heard from various organizations unless that should arise from direct questioning.

I represent the all-Canadian Congress of Labour, and I should like to say that we appreciate the opportunity to present our views to the committee dealing with the unemployment insurance bill introduced by the government at the present session.

I may say that the Congress represents approximately 100,000 workers, and is the second largest central labour body in Canada, comprising unions which cover a wide variety of industries, such as railway transportation, coal mining, steel, building construction and the manufacturing industries generally.

At almost every convention of the Congress since 1927, approval has been given by resolution to the principle of unemployment insurance, and it has also been endorsed annually when delegations from the affiliated and chartered unions of the Congress submitted representations to the federal government with respect to legislative and other matters of interest to the workers.

The Congress therefore believes that it is expressing fully the viewpoint of the workers it represents in giving its general endorsement to the bill now under consideration. The measure reflects great credit upon the Minister of Labour and upon the officers of the department who have been charged with the task of preparing it, and we consider it a substantial improvement upon the Act passed in 1935. In that year, the Congress took the position that the rate of contributions called for was beyond the means of low-paid workers and urged that the scale of contributions should be rated upon earnings, irrespective of age or sex. It is gratifying to note that this plan has now been followed.

[Mr. Norman S. Dowd.]

Naturally, the experience of other countries during the past five years has provided valuable lessons in the operation of unemployment insurance plans, and the present bill is the fruit of a careful study of what has been done elsewhere. As the general rule, it appears that an effort has been made to steer a middle course between various types of legislation of this character, and we believe that it represents a very good beginning in the right direction.

The Congress also urged, in connection with the Employment and Insurance Act of 1935 that the qualifying period be reduced from 40 to 26 weeks, and this has been largely met by the provision that 30 weeks or 180 days of work during which the employee is a contributor to the fund will enable him to secure benefits in the event of unemployment.

With regard to the contributory feature of the plan now proposed, the Congress has expressed the opinion that the cost of maintaining unemployed workers should be a direct charge upon industry, since the individual workers are not responsible for unemployment, and it should be the task of industry to supply the goods and services which are required for the highest standard of living which the natural resources, the plant equipment and the technical skill of workers and managements can provide. We recognize, however, that it may be impracticable to ask industry, as now organized, to bear the whole burden of unemployment insurance, and we believe that the workers are willing to make the contributions set forth in the bill, in spite of the fact that it will create a hardship upon low-paid workers, and that many workers will contribute who will not, in the normal course of events, ever require the assistance which the insurance will afford.

The workers represented by the Congress do not regard the present bill as perfect, and realize that in the light of practical operation amendments will be found necessary. It is felt that all workers should be covered, and that the \$2,000 maximum should be deleted, even though the percentage of workers in the higher-wage groups is not large, and their employment may be more stable than that of other groups. They should have the privilege of contributing to the fund, and obtaining any benefits to which they may be entitled. The differentials in benefits payable to single and married workers are not regarded as adequate; it is possible that the exemptions as to industries is too wide, especially in view of conditions in certain parts of Canada where employment is continuous in such industries as lumbering, etc.

It might also be argued that in no instance should the contribution of the employee be greater than that of the employer, and other amendments might be suggested. We believe, however, that these matters may be properly left to the Unemployment Insurance Commission and the advisory committee, to which interested parties may make such representations as may be found necessary. The safeguards which are provided in the bill appear to be sufficient to protect employers, workers and the public as a whole.

We should like to commend the inclusion in the bill of a provision for a national employment service. It is felt that this is an essential feature of any unemployment insurance plan, and that it will assist greatly to stabilize employment and relieve the condition which the plan is designed to meet.

In conclusion, I should like to repeat that the All-Canadian Congress of Labour endorses the bill as a whole, and would urge your committee to report favourably upon it.

The CHAIRMAN: Thank you, Mr. Dowd.

We shall now call upon Mr. Mosher.

Mr. MOSHER: Mr. Millard has a statement which he would like to make, Mr. Chairman.

The CHAIRMAN: Very well, we shall hear Mr. Millard.

Mr. C. H. MILLARD, Secretary, Canadian Committee for Industrial Organization, called.

Mr. MILLARD: Mr. Chairman and members of the special committee: May I preface my brief remarks on the unemployment insurance bill now before the committee by expressing on behalf of those I have the honour to represent our sincere appreciation for this opportunity of appearing before the committee. It is not my intention to go into detail as, outside of partial attendance at the sessions of this committee, I have not made as thorough a study of the bill as I would like, due to other engagements.

It has been suggested that while the principle of unemployment insurance is sound and desirable as a social measure, more time be given to the consideration of the application of the Act and therefore its passage postponed. Speaking for one important section of labour, I can say quite definitely that we consider it of utmost importance to our national interests that there should be no further delay in placing such an Act on the statute books of this country and that the Act should be made operative just as quickly as possible.

If we are now having a measure of economic security through increased employment and large payrolls we should be preparing for any contingency which everyone agrees will inevitably arise at the conclusion of this present conflict.

I therefore wish to support the representations already made that this bill be passed at the present session. In this connection I should like to read a paragraph from the editorial notes in the official journal of the Trade Union Congress of Great Britain for the month of July this year. This magazine called "Labour" tells us as follows:—

Mr. Bevin's new bill to improve conditions for the workless has received the widespread approval it deserves. Among the principal changes made by the measure are an increase of unemployment benefits by three shillings a week, and the extension of the scheme to cover 'blackout' workers whose incomes range up to four hundred and twenty pounds a year. About 500,000 of these workers, who for years have been agitating through their trade union organizations, for this reform, will be affected. The bill also proposes a change in the 'continuity rule' in favour of the workless, who will be eligible for benefit if unemployed for two days instead of three, as at present, out of any six consecutive days. The decision to include higher paid workers will bring much needed relief to thousands of workers in non-essential trades which have been badly hit by the war. So far there has been no scheme of public assistance for this large section of the public, who will now enjoy a considerable degree of security. Increases in contributions and the inclusion of non-manual workers, will add nearly £10,000,000 of which one-third will be paid by the exchequer, to the income of the unemployment fund. As unemployment decreases with the growing demand of war time industry, the extra income will probably exceed the additional expenditure, and should thus enable the government to set aside a useful balance to meet the burdens of immediate post-war years.

I have been informed since my attendance at this committee that the unemployment benefit increases projected in this publication have now been made law and are to apply, if I understood correctly, from August 1. I believe there have been communications to that effect; that this law which I have just quoted is now operative or will be on the first of August in Great Britain.

I wish to draw the attention of the committee particularly to the last sentence of the passage I have just quoted where the idea is expressed that the extension of the unemployment scheme in Great Britain at the present time will

"enable the government to set aside a useful balance to meet the burdens of immediate post-war years." The same applies to this country.

May I say that we regard unemployment insurance as a form of collective security. Even those who are most regularly employed will welcome this scheme. Not only because it will provide added security to them as workers, but also because of the general improvement in social conditions and the labour market which results from the operation of such a scheme.

Furthermore, it is probably more useful to think of families rather than of individuals, and it is quite common for one member of a family to be steadily employed while others in the same family have only intermittent employment. Thus the collective scheme would be of assistance to the family as a whole and to the community. This and similar considerations are, I suggest, a complete answer to the criticism of the unemployment insurance scheme made this morning on the ground that there may be some workers who would be making contributions over a long period without drawing any benefits. The answer is briefly, that while there may be some who will not draw any direct financial benefits all the workers collectively will benefit from the general social and economic improvements resulting from this scheme.

I felt it incumbent on me to make these observations in view of the fact that reference was made this morning by a representative of the Canadian Manufacturers Association to a brief published by the United Automobile Workers, one of the units of the organization which I represent. The representative of the Canadian Manufacturers Association quoted the brief to the effect that the U.A.W.A. asked for unemployment insurance for those earning \$1,200 a year or less, and tried to draw from that the inference that the Auto Workers' Union was opposed to unemployment insurance for the higher wage groups. Although I knew that the gentleman was interpreting the brief wrongly, I nevertheless telephoned the Canadian regional director of the U.A.W. by long distance and asked him for his comments on this reference. He informed me that the figure of \$1,200 was placed in the brief merely as a minimum because almost all of the auto workers made a total annual income of less than this amount. That is to say even those who when they work a full week make as much as \$30 or \$40 a week usually work only about two-thirds of the year or so and their total income for the year is therefore \$1,200 or less.

He also authorized me to state to this committee that the Auto Workers' Union is entirely behind the principle of unemployment insurance and even agrees with suggestions already made that the present \$2,000 ceiling should be raised and that this Act should be endorsed at once.

I should like to point out for the benefit of the committee, aside from any written remarks, that in the year 1937 the annual income average over all but the one hundred executive members of this company in Canada was less than \$900, in one of the finest years that the automotive industry has ever experienced in this country.

By Mr. Roebuck:

Q. Does that take in the skilled workers as well as the unskilled?—A. It takes in all brackets of wage earners, but not the executives or salaried workers.

That is the direct message which I had from the United Automotive Workers' Union this morning by telephone. I wish to say that there are some important general provisions of this Act which we would have liked to go further than they now do. Thus we are in entire agreement that the present maximum of \$2,000 should be raised to at least \$2,500 and if possible higher. We are also concerned about many of the employments which are now excluded from the operation of the Act. Such as lumbering, logging and the like. We hope that once the Act is put into operation both the Commission and the Advisory Committee will consider the question of extending its operation to most of the workers now excluded, at the earliest possible moment.

Similarly we shall watch carefully the application of the Act regarding Trade Union Activity. So far as I have been able to study the relevant provisions in the Bill before the Committee there appears to be the intention to give union activity reasonable safeguard. At this time I can only express the hope that in the application of these provisions the spirit of the Act will be fully observed.

I also agree and support strongly the recommendation made this morning up to the age of 16 years instead of 15 years as at present. I think also that in time it will be necessary to work out a comprehensive scheme in unemployment assistance similar to the one in operation in Great Britain, to supplement the Unemployment Insurance Scheme. But I support vigorously the arguments that this need should not interfere with the passing of the present measure.

The above are some of the major points which we believe will require further attention. Others which I may also mention are the rates of contribution and of benefit which may require revision based on experience.

I also agree with the suggestion that some remuneration should be allowed for members of the Unemployment Insurance Advisory Committee so that representatives of labour may be able to devote the necessary time and attention without hardship to themselves.

I wish to conclude however by stressing that while we would welcome any changes that may be made to this Act to extend these beneficial provisions we remain firm in our support of the principle of the present Bill and of the need for placing it in operation as quickly as possible.

By Mr. Jean:

Q. I understand, Mr. Millard, that you are Secretary of the Canadian Committee for Industrial Organization, can you tell me approximately how many members are represented in that organization?—A. We have about 45,000 dues paying members and we represent about 60,000 workers.

By Mr. Pottier:

Q. I understand that the Trade and Labour Congress of Canada have some 200,000 members, and your organization comprises about 100,000, and that they represent the major labour organizations in Canada. Are there any other labour organizations in Canada which are not included in your two groups, and can you tell me what proportion of the total labour of Canada they would represent? A. (Mr. Dowd) The only other important group that I know of is the Federation of Catholic Workers of Canada, and I cannot say anything as to their membership, but it would be substantially smaller, I should say, than that of the Canadian Congress of Labour. So far as I know there is no other important labour body in Canada.

Q. Your organization would include about three-quarters of the organized labour in Canada?—A. (Mr. Dowd) I would say so. Unquestionably a good deal. We represent a great number of workers who are organized and as Mr. Moore said this morning the unorganized workers have no spokesman so far as we are aware; and I should say that the Trades and Labour Council and the Canadian Congress of Labour together with Mr. Millard's organization would represent the views of the workers of Canada.

By Mr. Roebuck (to Mr. Dowd):

Q. You have taken a very positive stand I see in your brief. You say we consider it a substantial improvement upon the Act of 1935. Have you had time to study the Act sufficiently to take a positive decision of that kind?—A. I think so. We are in favour of the principle of unemployment insurance and we feel that in several ways, some of which I mentioned, this Act is closer to our own views than the other Act was.

[Mr. C. H. Millard.]

Q. That is, you have had time properly to consider it?—A. Surely, I could not say that we have made any profound study of it, naturally; but we feel just as I say.

Q. But you have studied the principle involved?—A. Absolutely.

Q. You have had plenty of time to do that?—A. We have actively advocated unemployment insurance for the last thirteen years.

Q. And during that time you have come to the conclusion that the new bill is better than the old one?—A. Surely.

Q. I see, in the brief you say; "in spite of the fact that it will create a hardship upon low-paid workers, and that many workers will contribute who will not, in the normal course of events, ever require the assistance which the insurance will afford." We have heard a number of representations from industries, especially industries or organizations representing those that will not benefit from the employers' side; for instance, we had the employer here who said he has not laid off a man in five years so he is not going to benefit though he will bear the same burden, therefore for that reason he desired to have himself put into a watertight compartment. Is there any desire on the part of labour to differentiate in that way?—A. We have never heard of such an attitude. Actually, for example in the railway industry there are some 90 per cent approximately permanent employees; I mean senior men who will never be laid off in the normal course of events. There is no objection on their part; in fact, they have consistently supported it and not only that they have advocated unemployment insurance right throughout.

Q. That is, the fortunate ones are satisfied to contribute something to the less fortunate?—A. They believe that the principle of unemployment insurance is sound; but a good many of them have taken the ground, as I have suggested, that it should be non-contributory, but there is no objection on their part to paying their share of the expense.

By Mr. Reid:

Q. Did I get you correctly when you said in your brief the effect of the present bill is to place an undue burden or load on the lower salaries?—A. We have always taken the position that the low-paid workers, those receiving practically a subsistence wage, should be exempted from the necessity of contributing towards the insurance premiums. And now, this makes a very slight exemption; but we are not raising that as any objection to this measure. We are quite prepared to have any difficulties of that sort straightened out in the course of experience; but it is a fact that we have advocated exemption for the low-paid categories. That is simply an extension of the principle already admitted for class "O" of the groups, that first clause in which the cost of the entire premium is paid by the employer.

Q. You mentioned the year 1927, is that the year?—A. That is the year when the All-Canada Congress of Labour was established.

By Mr. Graydon:

Q. Did your organization make any representations before the Senate committee in 1935?—A. No, I understand not.

Q. Were no representations made to the government at that time by your organization?—A. Yes, we made representations in the spring of that year, in March of 1935, and referring specifically to this measure; but our reference was very brief and was simply along the line I have mentioned in the memorandum in relation to the graded scale and that sort of thing.

Q. You advocated a graded scale at that time?—A. Yes.

Q. As opposed to the flat rate?—A. Yes.

By Mr. Roebuck:

Q. Have you anything to say as to the timeliness of this measure?—A. Just in a very general way. We believe this is a very appropriate time in which to carry it out, probably more appropriate than at any time shall I say since 1929.

Q. Why?—A. Because of the increased employment that is now available throughout Canada. We are in I think for a period of lessening unemployment, a considerably improved condition. I think Mr. McLarty referred to that in the house and we agree entirely with him on that.

Q. Does the uncertainty of the future, if there is any uncertainty, influence your mind in the matter?—A. Yes, undoubtedly. We have to realize that there may be dangers. I mean, in the very nature of our economic system we have these depressions, these rises and falls in business activity; and it happens now that quite apart from the war effort there has been an improvement and we feel that that improvement comes partly of course through improvement in purchasing power. In any event, these conditions do make the present a very suitable time for the adoption of the measure.

By Mr. Reid:

Q. Are the loggers affiliated with your organization?—A. (Mr. Millard). We have a group of lumbermen on the west coast in the C.I.O.

The CHAIRMAN: Are there any further questions?

Mr. HANSELL: I would like to make just this observation: A little while ago while Mr. Dawes was speaking to us I asked him a question as to whether if this scheme passes the contributions that the manufacturer would make to it would tend to raise prices. I understood him to say yes. Therefore the conclusion is that the cost so far as the people he represents is concerned will ultimately be borne by the consumer, and yet it seems to me that he was not very favourably impressed with the scheme; that they did not definitely state that they were in favour of the principle of unemployment insurance and yet we have listened to-day to two representatives of labour. And now, the labouring man will have to bear his portion of the cost because it is taken right out of his pay, and yet these two representatives have definitely stated that they were in favour of unemployment insurance.

The CHAIRMAN: Thank you very much, Mr. Dowd; and you too Mr. Millard.

The sub-committee on arrangements advises that we proceed to-night with the non-contentious sections of the bill.

The committee adjourned at 6.00 o'clock p.m. to meet again at 8.30 o'clock p.m. this day.

EVENING SESSION

The committee resumed at 8.30 p.m.

The CHAIRMAN: Gentlemen, I think there is a quorum now. We were going to go over the uncontested sections, clause by clause, tonight. But I am going to ask the committee if they would be willing to make one exception because it deals not with any principle of the bill at all but merely with amendments which have been suggested. Mr. Rand, Mr. Mills, Mr. Riddell and Mr. Evans are representing the various railroads of Canada, not with reference to the desirability or the undesirability of any changes in the bill but rather with the thought that, on account of their particular system of payment, they wanted to suggest to the committee the making of a minor amendment to save them a great deal of cost in their bookkeeping system. Would it be agreeable to the committee to hear them now?

Hon. Mr. MACKENZIE: I think so.

Mr. MACINNIS: I move that they be heard.

The CHAIRMAN: All right. It is agreed. Mr. Rand, are you ready?

[Mr. C. H. Millard.]

Mr. I. C. RAND, K.C., called.

The WITNESS: Mr. Chairman, I represent the legal committee of the Canadian Railway Association. Associated with me are Mr. Evans and Mr. Mills. What we have to suggest relates only to the working out of this legislation. You will see that underlying it, so far as contributions and benefits are concerned, there is the unit period of the week or the day. In all of the railways—and I speak only for them—payrolls are made up and wages are paid twice a month; and it would be a most complicated and difficult thing for us if we were not permitted in some way or another to make the necessary calculations which would determine the contributions on the payrolls which our system has at the present time. It would be very difficult, apart from the extra expense involved—and that extra expense would not be very light—if we were forced to weekly pay days. It is certainly not the intention of the act to create such a complete disturbance of long established practices. So what we have been endeavouring to work out was some modification, or investment of the commission with some power, whereby it could enable such industries as the railways to continue in their present practice of payment twice a month, and make deductions on such a payroll and add to that such other calculations or amounts as will bring about the units that are necessary for the full application of the act. What we have in mind is adding to section 17 a sub-section to this effect. Section 17 deals generally with the matter of contributions and it prescribes the unit periods in relation to which the contributions shall be determined. We would suggest adding as sub-section 5 the following:—

The commission may, notwithstanding anything herein contained, in special cases prescribe contributions for periods greater than a week on a basis substantially equivalent to the rates in the second schedule to this act, and by such regulation may determine the weekly or daily rates of contribution in relation thereto.

That is to say, they would permit us to make the calculation of a contribution in relation to the payroll which we normally prepare; and then if they thought it necessary they could require a conversion of that contribution into its corresponding weekly contribution, because the weekly contribution must be determined for the purpose of ascertaining, say, the benefits. You take your weekly contribution and you multiply it by 30 or 34, so in some form or another the weekly unit must be determined. We would have no objection to that so long as we are not called upon to make out this most elaborate payroll or record that is really necessary for determining the amount of contribution.

By the Chairman:

Q. You will not be paying by stamps, Mr. Rand.—A. No. We will not be paying by stamps. The only feasible way that an industry of this size can pay is to deposit moneys, either in advance or in any way that the commission may accept. The stamps would be a difficult question.

Q. Oh, yes.—A. You see, in the National railways, there are about 75,000 employees, and there may be between 50 or 60 per cent of those employees within this act; so you are going to have in the neighbourhood of 40,000 employees who will be subject to this provision. When you consider making out a payroll for 40,000 men—and every man at least twice a month has to have this contribution determined—you can see that it is some job. I might say that this is one more in addition to a great many special items that have been introduced to these payrolls. The latest one is the war tax of 2 per cent. That goes on the payroll. This goes on the payroll. We have three or four in the railway—insurance, pension, health. Those things are all on the payroll. So it is really a very elaborate and very important statement that we prepare twice a month. This simply puts it in the power of the commission—everything

is put into the power of the commission—to enable us to facilitate the making out and the determining of these contributions. I must say I cannot see the slightest objection to it from the standpoint of the principle of the desirability of the act. That is the first. Then there is another question—

Q. I wonder, Mr. Rand, if you have considered the effect of sub-section (a) of section 26?—A. Yes, we have, Mr. Chairman. I do not think that 26 touches the question of the determination of the amount of the contributions. It deals with the payment and the collection of the contributions. They must be paid. They must be collected. They must be paid by the employer to the commission and they must be collected by the commission from the employer. But I do not think there is anything in that act or in that section which in any way allows the commission to make a regulation which would change the unit of one week or one day for the purpose of ascertaining a contribution, in the face of the other provisions of the act. It is included in 26, then this amendment does not do any injury.

By Hon. Mr. MacKenzie:

Q. It is just making assurance doubly sure.—A. That is all; and taking a bond, as it were. Then there is just another question—

By Mr. Pottier:

Q. Is that not an unusual term "in special cases"? I do not like those words. Why not leave it in the discretion of the commission?—A. Very well.

Q. Without "in special cases"?—A. I am quite agreeable to anything.

Q. I am just wondering if you had any reason in mind?—A. Only this, that the act is laid out on the basis of the weekly or daily unit. I do not want to interfere with that any more than is necessary, but I think we do present special cases because we may have a 100,000 men in all the railways—railway men under this act; and it is purely a question from the point of view of accounting convenience. That is all.

By Mr. Jackman:

Q. I wonder if Mr. Rand meant anything particularly when he said the contributions would be substantially equivalent to the rates in the second schedule of this Act. The contributions are set out by statute and cannot be amended without changes in the law. You have used the word "substantially the same." I do not presume you meant anything specially by it, but just why do you use the word "substantially"?—A. You may be out one cent or one-half a cent. You are dealing with a different unit. You are dealing with the unit of half a month which may be one week and one sixth. You may get a fractional difference. That is all that is intended there. If you put this in, it will be just as effective as the specific amounts given in the schedule. We have put in "substantially." Any other term would satisfy us as long as you permit of any contribution at all determined on other than a weekly basis. But to be consistent with the rest of the Act, it would surely have to be related—if not perfectly, at least very nearly so—with the specific deductions that are in the schedule.

Q. In other words, you could have said "exactly equivalent to the rates under schedule 2"?—A. Exactly equivalent.

Q. Or. "equivalent."

Mr. MACINNIS: Equivalent without the "exactly."

Mr. GRAYDON: Equivalent would cover it.

The WITNESS: Very well "equivalent." Of course, a question of this sort lends itself to the utmost refinements of the minutiae of mathematics; and I have not much doubt that if we present this to some of my friends they will say "Oh, you are outside of the Act because you are barred by the remotest fraction

[Mr. I. C. Rand.]

of infinity from having something actually equivalent." That is the sort of mathematical perfection that we would be met with here, and that is why I used the word "substantially." I know those minds that are always seeking mathematical perfection. But this is substantially a practical matter, and we need not be worried about the use of the word "substantially." Then there is another matter that is related to this, and I suggest it to the committee.

By the Chairman:

Q. Mr. Rand, dealing with that "substantially," do you wish us to put that in?—A. Well, I would ask that, because it is all in the commission's control.

Q. Oh, quite true.—A. That is all. We think that a commission like this or of this sort, set up to administer such an Act, can be relied upon in every case to use good judgment. For that reason you do not have to tie them down to these exactitudes which are so easy to play with, and one thing and another. I am content to put myself wholly within the hands of that commission, as long as you give them language which enables them to move around.

By Mr. Pottier:

Q. That is why I think you could give the discretion to them and not use the words "special cases."—A. I am quite agreeable, Mr. Pottier, to striking out those words.

Q. What would be the wording of the amendment, then?—A. "The commission may, notwithstanding anything herein contained, prescribe contributions for periods greater than a week."

Hon. Mr. MacKENZIE: Make it discretionary.

The WITNESS: Or you could add "in their discretion." That is quite agreeable to me.

Mr. POTTIER: I am afraid you would create special cases.

The CHAIRMAN: Yes, I think perhaps that would be better. You can just strike out the words "in special cases."

The WITNESS: Yes. "The Commission may notwithstanding anything herein contained, prescribe contributions for periods greater than a week on a basis substantially equivalent to the rates in the second schedule to this act and by such regulation may determine the weekly or daily rates of contribution in relation thereto." That is simply converting them into the units of the act.

By Mr. Graydon:

Q. Is that a problem peculiar only to your particular business?—A. I cannot say that; I think there are many others.

Q. I fancy there would be.—A. But they may be in this position that their payroll may be limited in form and may not cause such serious accounting work. That is all; but it is serious with us. Then, there is another suggestion, Mr. Chairman, which I offer because in the opinion of the accounting department it will facilitate the preparation of these statements of the determination of contribution. Now, I may say that although we had not had an opportunity to make a very close estimate, a rough estimate is that the clerical work that will be imposed on the national railways under this act may run as much as \$50,000 a year. It may not be that much, but at any rate one of our accountants said that he thought it might be so; so it is really of some importance to us that every convenience be accorded us in the mechanics of carrying out this act. It has been suggested to me that if they were permitted, maintaining the same clauses as they are in the schedule, to adopt the device of a percentage rather than a specific amount, say of 11 cents or 16 cents, it would help. Take, if you would, the average percentage in each group or each family and use that in the preparation of their rate and the extensions of those computations would

be expedited. I do not know whether that is the case or not. Mr. Evans, my friend from the Canadian Pacific, says that his accountants are not so sure of that as ours are; but what I would propose to the committee is something similar to the last one; to put it within the power of the commission if they thought there was something substantial here, to permit us to make estimates by way of percentage preparation rather than the specific amounts that are shown in the schedule. This is what I would offer to the committee for consideration: "The Commission may notwithstanding anything herein contained, prescribe the contributions in any case or class of cases shall be percentage proportions of wages or remuneration which proportions shall be substantially equivalent to the rates in the second schedule to this act." Now that simply enables the commission, if it were substantial that that should be done to give us the right to do that to facilitate the mechanical determination of these deductions.

By Mr. Graydon:

Q. I am not quite sure what you are trying to arrive at in connection with your problem of bookkeeping. Would you mind explaining that to the committee again, just how that would facilitate your work?—A. I am giving you our accountant's statement; I am not giving you my own view. As it is to-day—say we were on a weekly basis—they would carry out the wages for that week. Suppose the wages were \$14. They would come within one of those classes—

Q. Class 4?—A. Yes, and then the clerk doing that would say clause 4, 25 cents, 14 cents and so on. They tell me it would be simpler to be able to say '\$14, 25 per cent. They use a comptometer, I think they call it, and instantly that calculation is made and the work is expedited. All I can say, gentlemen, is that this is the opinion of our accountant and I suggest to you only that you put it within the power of the commission to accept that if they are satisfied there is anything in it. There surely cannot be very much danger there or it cannot be very serious, and it would be of some importance and some benefit to us if we were able to apply it to the payroll twice a month—at least I can see the possibility of it being so.

By Mr. Reid:

Q. You are bound by statute to pay twice a month?—A. Yes, not less than twice a month. We are bound to do that under the Railway Act.

By Hon. Mr. Mackenzie:

Q. I do not like your second suggestion as well as your first one.—A. I can appreciate that; I know there are considerations for and against.

Q. You might be misunderstood.—A. Yes. All I would say to that is this: it is all within the control of the commission. That is the safeguard in all of these provisions; and if you have confidence in your commission there is no danger from the empowering that such an additional clause as this would give. I must say I cannot see any danger in it and as we are vitally interested in the expense of going through these clerical determinations I think that every assistance ought to be afforded us to keep that extra expense down to a minimum, because it is going to be very expensive to the national railways in relation to these contributions. Suppose the contributions amount to \$1,000,000. I do not know that they will amount to that but that is mentioned as a possible amount. Here is a million dollars for straight contributions; over and above that we pay \$50,000 in additional clerical expenses for the preparation of these, for the actual clerical computation and one thing and another.

By Mr. Graydon:

Q. Whose estimate is that? A. That is a rough guess. We have not really been in a position to examine it closely but that is the rough estimate, and the con-

[Mr. I. C. Rand.]

tribution of a million dollars is a rough estimate. I think we are entitled to say under these circumstances that every possible convenience and every device which has the approval of the commission and which is designed to expedite and to reduce costs of this sort should be open to us.

Q. Would you mind reading what you propose again? A. "The Commission may notwithstanding anything herein contained, prescribe that the contributions in any case or class of cases shall be percentage proportions of wages or renumeration which proportions shall be substantially equivalent to the rate in the second schedule to this act."

By Hon. Mr. Mackenzie:

Q: I am opposed to that. I think the schedules as we have them here should be left rigidly the way they are. A. That is, they must bear the percentage relationship to wages.

Q. You want to vary the ratio percentage. The percentage may vary, but this thing has been very carefully worked out. I think there is an element of risk in changing the schedule that we have here. A. Well, my answer to that would be that it could not possibly be substantial and if it would in fact considerably or substantially facilitate the employers and reduce expenses and expedite the making out of these returns that there is no danger as long as you have confidence in your commission in an amendment of that sort.

By Mr. Graydon:

Q. How can you get the percentage, Mr. Rand and, on the basis upon which you are going when the employer pays 25 cents in a wide range of wages, that is, from \$9.60 to \$12? How do you work out your percentage? A. Take one class. Suppose we took a day's payroll and we picked out our employees who would be within that class and we worked out the exact contribution that each would make, and we totalled all of those contributions and we totalled up their wages, we would have the average percentage for that class, the weighted average. I venture to say that the actual amounts which are shown in this schedule would bear a pretty close relation to the average percentage within the class.

Q. It seems to me to be very simple. All you have to do, if you have the numbers in your group is to multiply the numbers by 25 cents. A. Which number?

Q. The numbers in the particular group. For instance, if you have 10,000 people in group No. 6 your contribution as an employer is 27 cents. You simply multiply the number of employees within that range by 27 cents and you have the employer's contribution? A. Each employee's actual contribution must have an entry, as I understand it, and that must be communicated to his record in some way.

Q. You think this percentage system that you advocate would help that? A. That is what our accountants say; that is all I can say.

By The Chairman:

Q. I think Mr. Rand perhaps this might be the proper procedure. I think we are pretty well agreed to adding an amendment to subsection 5. Mr. Hodgson, Mr. Stangroom and Mr. Brown tell me that this problem could be worked out, and I wondered if you could take it up perhaps tomorrow morning with them and see if you can come to an unanimous verdict on it. I think there is no objection at all to adding sub-clauses 5 to 17. A. Very well, Mr. Chairman, that would suit me all right.

The CHAIRMAN: It that agreeable to the committee?

Some Hon. MEMBERS: Yes.

By Mr. Chevrier:

Q. Would you have any objection to including at the end of your amendment the words: "with in each case the approval of the Governor in Council"?
A. No objection at all.

Hon. Mr. MACKENZIE: Don't leave it up to us.

The WITNESS: You see how willing I am.

Hon. Mr. MACKENZIE: Keep the government entirely away from it.

The WITNESS: Mr. Chairman, may I make a suggestion as to section 99 where it says: "The Governor in Council may enter into an agreement with the government of another country to establish reciprocal arrangements on questions relating to unemployment insurance." We have a question regarding international labour and international employment which has not yet been fully worked out with the representatives of the Labour party. In connection with that section may I suggest the addition of the words: "may notwithstanding anything in this act." It is just conceivable.

By Mr. Pottier:

Q. What section?—A. Section 99. This is a reciprocal arrangement with a foreign country, and just to put it beyond any question I should like you to insert after the word "may" in the first line, the words, "notwithstanding anything in this act." Mr. Varcoe, of the Justice Department, approved of that and it would put it beyond doubt that any arrangement entered into and approved by the governor in council would be effective.

By Mr. Graydon:

Q. Is there anything in this act that will affect it in any event?—A. It might conflict with other provisions of the act regarding domestic employment. This act says that everything in Canada and everything out of Canada for certain purposes is subject to this provision. In the case of a treaty, sometimes your treaty may conflict with minor provisions of your local law and it will override your local law. That is all I say here. Your international labour arrangement should be treated as of the character of a treaty, a labour treaty. Therefore, it has more completeness. You say that you may make an arrangement in any form you please.

By Mr. Pottier:

Q. Where do you put those words in?—A. After the word "may," or you could introduce the section with those words—"anything in this Act." It makes certain that the arrangements they make will be definite.

We are up against a very anomalous situation under which Canadian citizens working on Canadian railroads are the beneficiaries of the United States Unemployment Act. That arises from the fact that the United States has jurisdiction over the employer in Canada. Take, for instance, the New York Central railway; they operate in Canada, but the bulk of their operations are in the United States. Their being in the United States gives that country jurisdiction over that company. It says to that company, "Your employees, wherever they may be, and in relation to whatever undertaking they may be employed, will be under this Act."

By the Chairman:

Q. That is under the Railway Act, not the Social Security Act?—A. Under the Railway Unemployment Act. And the result is that we have Canadian citizens who are entitled to unemployment relief by virtue of American legislation.

That may present anomalies, and I think section 99 is designed chiefly to remove such a situation. It may not be adding anything to the section at all, but I would suggest—

[Mr. I. C. Rand.]

By Mr. Roebuck:

Q. May it not be adding a great deal to the section? Supposing, for instance, that the foreign State has a schedule of payments much lower than ours and you have these words, "Notwithstanding anything in" our Act, then the Governor in Council may make an arrangement with the State of New York or the United States of America allowing the foreign Act to apply and forcing some of our employees under that Act notwithstanding that our Act may be a very much better Act—A. Assuming that that could be done, do you think it is within the realm of possibility?

By Mr. Graydon:

Q. Or that the government—A. That the government would exclude the Canadian Act from its appropriate application and effect?

By Mr. Roebuck:

Q. The purpose of this clause is to allow reciprocal arrangements.—A. What would you take "reciprocal" in that sense to mean, if it would not be this; that we will do for American citizens here if you will do something for American citizens over in the United States. You must assume that each country is going to assert only its proper jurisdiction in relation to people within its boundaries.

Q. That is one illustration of reciprocity in this matter, but might there not be this: The United States run a railroad in Canada; Canada runs a railroad in the United States; an arrangement is made whereby the Canadian employees of the United States railway go under the American Act and the American employees of the Canadian railway go under the Canadian Act? That would be reciprocity also?—A. Yes. But we need not be afraid of these things because the Canadian railways to-day have entered into arrangements with the United States government in relation to the railroad retirement provisions of the law over there by which there is an integration of pension and retiring allowance between the two countries. These things are not made effective without consultation of all interests and to the satisfaction of all interests.

The only reason for my suggesting this here, and I think it is rather sound, is this; that although the government might be willing and desirous of making an arrangement that was satisfactory to every person affected who might be recommended by Mr. Moore and recommended by the railways, it might consider that the strict language of that Act would not permit it to do in respect of one small feature of the arrangement what it was desired to do.

Q. It was not that that I was afraid of; I was controverting your implication or statement that the clause that you are proposing to add was a mere matter of form.—A. I said it might not add anything to it. It may.

Q. I think it adds a whole lot to it and perhaps it ought to be added.—A. For instance, paragraph (c) of the first schedule on page 33 deals with the matter of outside employment, and its language is as follows:—

Employment outside of Canada, or partly outside of Canada, for the purpose of the execution of some particular work, by persons who were insured persons immediately before leaving Canada,...

Now, as you suggest, and I do not know that my remarks did not cover the same thing, we may envisage Canadian citizens working in the United States and being the beneficiaries of United States laws.

Q. Or working in Canada and being the beneficiaries of United States laws?—A. That United States law projects itself beyond the international boundary in relation to Canadian citizens. I quite agree. So far as I am concerned I would ask the committee to forbid that in Canada, but I do not dare to do that because I would have my labour friends assaulting me. But I think it is anomalous and that it should not be. It may be that under section 99 we could go to the foreign government and make a deal with them

whereby Canadian citizens living in Canada would come under the Canadian law and, similarly, Canadian citizens in the United States living there would come under the American law; also that temporary citizens from either country would remain under the jurisdiction to which they belonged.

It is because of such a clause as (c) which deals with employment outside of Canada and which gives certain rights to the person outside of Canada, who left under the conditions mentioned in that clause, that I think you ought to add "Notwithstanding anything in the Act"; because otherwise you are tied up by the specific language in the Act to treating these people as being entitled to compensation under this Act. Whereas your arrangement may desire that they become committed to the jurisdiction in which they live.

Q. I agree with you, but I think the change is an important one and not a matter of mere form.—A. Thank you very much.

By Mr. Reid:

Q. Mr. Rand, may I ask you a question?—A. Yes, certainly.

Q. Do you anticipate any change after the employees come under this Act in any scheme existing in the railways?—A. Of what nature?

Q. Any present arrangement you have with the men.—A. Have we in contemplation any—

Q. In your social services, do you anticipate any change once the men come under this Act?—A. Any change in what relation?

Q. Benefits.—A. Oh, you mean in the internal organization of the railways?

Q. Yes.—A. Oh, no, I have no conception of anything like that. This is something new. We look upon it as legislation, and, if parliament passes it, that is all there is to it.

The CHAIRMAN: Well, Mr. Rand, when we come to section 99 we will give consideration to your representations. I think we all agree.

By Hon. Mr. Mackenzie:

Q. Have you the draft of that amendment?—A. I gave it to the reporter.

The CHAIRMAN: We had better get the exact draft of sub-section 5 of section 17. That was one of the sections we passed last night, so we may have to move to reconsider it.

In connection with sub-section 6, I would suggest that you take it up with the committee and see if you can give us a definite report on its consequences.

Mr. F. C. S. EVANS, called.

Mr. EVANS: Mr. Chairman, I have two matters which deal with anomalies, and one is an outcropping of some remarks that my friend, Mr. Rand, made.

Before dealing with the Railroad Unemployment Insurance Act and its application here, I should like to draw to the attention of the committee the provisions of the Canadian National-Canadian Pacific Act of 1939. That Act is one which was passed last year and it provides that where the Canadian National and Canadian Pacific engage in co-operative measures there is a system of unemployment compensation providing for the employees displaced as a result of the co-operative measure.

That compensation, I may say, is set out in the schedule to the Act. It provides compensation for periods of from six to sixty months, depending on the length of service of the employees who are displaced.

The basis of the compensation is 60 per cent of the average wage earned in the year prior to the co-operative measure coming into effect.

Our submission would be that anybody in receipt of compensation under that Act ought not to receive compensation. . . .

[Mr. F. C. S. Evans.]

By Hon. Mr. Mackenzie:

Q. Would you repeat that, please?—A. Any employee, in our submission, who receives compensation under that Act,—the Canadian National-Canadian Pacific Act, 1939—ought not also to receive compensation under this Act.

By Mr. Graydon:

Q. Or would you say “is receiving”?—A. If you say “is receiving,” Mr. Graydon, you have to bear in mind that the compensation under the Act I speak of may be out and it may not be a current payment. I think it ought to be so worded that the period for which that compensation was payable shall be deemed to be a period within which the compensation should not be payable under this Act.

But I have drafted an amendment which may be acceptable. I suggest that a new sub-section be added to section 27, which is the general section dealing with insurance benefits. My suggestion would be as follows. Add sub-section 2 reading:

“Payments hereunder shall during any benefit period be reduced by the amount of unemployment compensation payable in respect of that period....”

By the Chairman:

Q. In respect of or during?—A. I think in view of that commutation it ought to be “in respect of”—in respect of that period to the insured person under the Canadian National-Canadian Pacific Act, 1939.

By Mr. Hansell:

Q. Would you mind reading that again?—A. Sub-section 2, section 27:

“Payments hereunder shall during any benefit period be reduced by the amount of unemployment compensation payable in respect of that period to the insured person under the Canadian National-Canadian Pacific Act, 1939.”

By the Chairman:

Q. Is compensation paid to the man when he is re-employed?—A. If and to the extent that he received compensation in wages then the Act makes provision that the adjusting allowance under this Act shall be postponed.

Mr. HODGSON: Suppose he receives wages from some other employer during the period during which he is under the Act entitled to benefit, does he receive that benefit?

Mr. EVANS: There is nothing to cover that here. This says; if he returns to work whenever that may be. It says, in sub-section (b), if an employee who is receiving an adjustment allowance returns to work the adjustment allowance shall cease while he is re-employed.

The CHAIRMAN: Would it be in order to go on to the next section? Perhaps in the meantime you and the officers of the department could get together and work out the details of that particular section. Then perhaps you could go ahead in the same manner as you were suggesting with the next section. Would that be in order?

Mr. EVANS: We did have some conversation with them, Mr. Chairman, about it, but we would be very glad to discuss it further.

The CHAIRMAN: I understand that while there was a discussion there was no conclusion.

Mr. EVANS: Possibly not; whatever your wishes are.

By Mr. Pottier:

Q. For my own information; is that the Act which was passed in parliament providing for a reduction of the staffs of the two railways?—A. Exactly.

Q. As I remember it they were to get an allowance with respect to the time they had been in the service of the respective railways?—A. Exactly.

Q. And they were to be let out in batches, sort of, under that Act?—A. The two railways are directed by the Act of 1933 to co-operate in taking measures for the saving of money; and labour thought later after the original Act was passed that they ought to receive compensation if they were to be displaced as a result of these co-operative measures; and when that case was up in parliament in 1939 passed this Act of 1939 and provided that scale of compensation, and it is quite clearly a purely unemployment compensation feature.

Q. I thought it was a gratuity because they were being let go. I never looked on it as compensation.

Mr. RANDALL: It arose through the cessation of employment.

Mr. EVANS: It would be difficult to justify on any other basis other than that. It would be difficult to place them in any other employment.

By Mr. MacInnis:

Q. They were paid a certain amount on account of loss of employment and if they go back to work they are not paid the balance.—A. (Mr. Evans). The words in the schedule are quite clear.

Q. They could not take other employment and get the benefit at the same time?—A. The words of the schedule are quite clear on that: Every employee who is deprived of his employment as a result of any such measure, plan or arrangement shall be accorded by the National Railways or the Pacific Railways as the case may be in whose service he was last employed preceding the effective date of such measure, plan or arrangement an adjustment allowance as compensation for the loss of employment based on the length of service being not less than one year which shall be a monthly allowance, and so on. Now, that is labelled quite clearly, I think.

Mr. ROEBUCK: So many persons lost employment, it is not unemployment insurance but rather to enable them to get other employment.

Mr. EVANS: I should have thought that was the very essence.

By Mr. Roebuck:

Q. Let me put this to you: We are expecting these men to pay into this new fund that we are setting up and yet you want to deprive them of the advantages of these payments?—A. I would be perfectly willing to foster an amendment which would permit equivalent contribution to be returned, if such an amendment could be worked out.

Mr. ROEBUCK: It is not honest unless you did do that.

Mr. EVANS: I am perfectly willing.

Mr. RANDALL: It is equivalent to getting a new job.

Mr. ROEBUCK: I do not see why you want to deprive a man of the benefits he might get through these payments.

Mr. EVANS: It did not occur to me that he ought to be compensated twice. I should have thought perhaps that the Act would never have been passed if this Unemployment Insurance Act had been passed.

Mr. ROEBUCK: Perhaps not, he would far rather remain employed.

The CHAIRMAN: Don't you think it would be all right to go in to it further with the officers of the department and not to take up the time of the committee unduly?

By Mr. MacInnis:

Q. You have there a suggested amendment?—A. Yes.

By Mr. Pottier:

Q. What happens to your man who has been retired who has been given an allowance and you call him back to work? Do his payments stop?—A. They are suspended. He still has what is left whenever his unemployment recurs.

Mr. MACINNIS: His payments are suspended while he is drawing wages.

By Mr. Pottier:

Q. Suppose he has been off for 30 months and he goes on for 5, there remains his allowance for the balance of the 60 weeks?—A. This is 60 months. That is the maximum.

Q. He has an allowance of 60 months and out of that he has been off for 30, and then he goes to work say for 5 months, he would then be entitled to receive the benefit for the 30 months on his second absence?—A. Yes, it just says they shall cease while he is so employed. That is what the schedule says. That is all the questions on that subject. Perhaps I had better turn to the other. I did not want to take up too much of the time of the committee.

The other question arises out of the Railway Unemployment Insurance Act of the United States. There are two related questions. The Railway Unemployment Insurance Act applies to carriers by rail and affiliated companies, and it covers in respect to all companies doing a principal part of their business in the United States. It covers employment wherever that employee may be whether it be in Canada or in Hawaii, or in China, the employee of American railroads whose principal business is performed in the United States is covered. That is to say, my friend, Mr. Mills, representing the Michigan Central, has a number of employees who are so employed within Canada but because his company does the principal part of its business in the United States those employees wholly within Canada are covered by that Act and a tax on the pay-roll is paid by his company for the employees in Canada. Now, the reverse of that picture is in the case of companies whose principal business is not done in the United States as in the case of the Canadian railways, the Canadian Pacific and the Canadian National and others. In these cases the Act covers all employment in the United States. Now, we have two categories of employees who are covered by that Act. We have the group who are solely employed within the United States, and there are many hundreds of those; many thousands of them, as a matter of fact; and then we have a second group which move across the border in daily duties running trains. Now, a formula has been devised by which the amount of compensation or wages paid in respect of service in the United States is reported under that Act and a tax is paid on it. Now, in the case of employees of American railways in Canada there is nothing in the bill as drawn to exclude; so that as the bill stands there will be a duplication of tax and a duplication of benefits. Now, that covers the American railroads. As regards the Canadian railroads we have that (c) of Part I of the first schedule which covers our employees who are working partly or wholly within the United States. (c) reads:—

Employment outside of Canada, or partly outside of Canada, for the purpose of the execution of some particular work, by persons who were insured persons immediately before leaving Canada.

Now, I should think perhaps it would be difficult for us to argue that our train crews who are passing across the border every day who are insured persons under this Act immediately before they cross the border are not engaged in a particular work, and therefore covered in respect to the United States employment which is already covered under the Railway Unemployment Insurance Act

in the United States. There would be again the same duplication of benefit and the same duplication of tax. Now, we suggest an amendment to that schedule; in fact, we suggest two amendments which deal with these two questions. In the case of the American railroads whose Canadian employees are covered we suggest that there should be a new heading under Part II of the schedule of excepted employment reading as follows: (s) Employment with respect to which contributions or taxes are required to be paid and unemployment insurance or benefits are payable under the Railroad Unemployment Insurance Act of the United States.

That of course does not do violence to this reciprocal arrangement which can be made by the Governor in Council, because if the Railroad Unemployment Insurance Act were amended there would be no anomaly.

The CHAIRMAN: That is one of the matters that you are right in the midst of discussing with our experts, is it not?

The WITNESS: I thought that had been gone over to the satisfaction of everybody concerned. I hoped that it had.

The CHAIRMAN: I am advised that it has not been, that the implications are extremely broad; and I think that we ought to treat this in the same class as the one to which you were referring a moment ago.

The WITNESS: May I just make this one point: There is no thought in the minds of the railways of this country to take out anything that is properly a matter under this Act of Unemployment Insurance, but there is very strong feeling that there ought not to be any double benefit or double tax. I did not think anybody could quarrel with the principle.

The CHAIRMAN: I think that is correct, but it would be more a matter of wording to carry it out so as not to carry the implication further than we want to go.

The WITNESS: We are entirely in accord with that.

By Mr. Graydon:

Q. Have you given any consideration to the advisability from the standpoint of draftsmanship as to whether or not any foreign country should be referred to in specific terms?—A. When I first drafted that I did not refer to the Act specifically. The suggestion was made to me this afternoon as a measure of narrowing the effect of the amendment. They did not want to go too far with it, and as far as I was concerned I was simply conceding that as long as our particular case was covered I had no objection. But I think there is something to be said for your view.

Q. I think it would be a dangerous sort of precedent.—A. I would certainly be happy to do what I could to help meet that particular situation. Then, may I go on to Part II?

Part II deals with the reverse situation of the Canadian railways whose employees are covered under paragraph (c) of the first part of the schedule, and we suggest a proviso there reading as follows: add at the end of subsection (c) "Provided that no such employment shall be deemed to be insurable employment as defined in this Act if performed in any country by the laws of which the employee or employer or both are bound to contribute to any fund or are required to pay any tax for the purpose of unemployment insurance or benefits."

I was hoping, Mr. Chairman, we would not have quite the same difficulty as with the other one.

The CHAIRMAN: Well, the members of the committee have copies of the proposed amendments. Some of them have taken the proposed amendment down in longhand, and I think you might treat this one in the same category as the other and tomorrow we will each have copies of the suggested amendments

before us, and in that case we can probably handle them more expeditiously than hearing the verbal explanation now.

By Mr. McNiven:

Q. Do you have to do the same thing for bus drivers?—A. I imagine they are in the same position. I think one of our companies has a bus operation on both sides and the employees are treated as railway employees. I fancy that the provincial transport in Quebec would be affected similarly. But they do not come under this Act. They might come under a respective American service or Social Service Act. Bus operations do not come within the Railroad Unemployment Insurance Act. I am not an expert on the Social Security Act, however.

By Mr. Graydon:

Q. Does the same thing apply to trucking?—A. The Railway Unemployment Insurance Act does not cover trucking as such—only in relation to railroad operations; but there is a very narrow construction placed upon the section, and I would not like to see in any particular case that trucking was covered if it was not covered. Certainly, trucking is covered under the Social Security Act if it is covered at all. It is not covered under this Act.

May I just before sitting down raise some questions in the committee's mind about our difficulty of interpreting (c), Part I of schedule I? We must confess that with the somewhat limited study we have given to this we do not quite know what that paragraph (c) means and, perhaps, some of the experts could enlighten us. It says, "Employment outside of Canada or partly outside of Canada for the purpose of the execution of some particular work". Now, it may be the intention that that should have a very narrow application. We can say that a member of a train crew certainly is engaged in a particular work and he is covered if he operates in the United States.

Mr. STANGROOM: Do you not think it is satisfactory to leave it to the commission administering the Act to determine the interpretation of that adjective?

The WITNESS (Mr. Evans): Yes, but if the commission should come to the conclusion, as well they might, that a particular work included the operation of a train in the United States there would be no escape until the next session of parliament and we should have to go through this again; and if one concedes the principle that there should not be a duplication of benefits and taxes, I see no reason why that anomaly ought not to be cleared up in the Act.

Mr. HODGSON: I think you are right. The word "particular" is limited. Were you suggesting some other word?

Mr. RAND: Can you suggest any particular work that is not particular?

Mr. POTTIER: Leave out "for the execution of some particular work".

Mr. STANGROOM: In that case you would not even retain the general intention of restricting this definition.

The WITNESS (Mr. Evans): And you would most certainly require our amendment, because there would be no question that our employees would be covered in the United States.

Mr. ROEBUCK: Why not give the commission power to make regulations that under no circumstances shall there be duplication of assessment or duplication of benefits?

The WITNESS: I think if that were perfectly clear—that notwithstanding anything in the Act the commission could make that kind of regulation, I should be happy.

Mr. ROEBUCK: And cut out all these amendments.

The WITNESS: That is perfectly clear and satisfactory.

Mr. RAND: Under any law foreign or domestic.

Mr. HODGSON: Not domestic.

Mr. RAND: Certainly. You have domestic in the Canadian National and Canadian Pacific Act.

Mr. HODGSON: We have already provided for that.

Mr. ROEBUCK: We do not want them to be able to set up local systems of compensation which will exclude ours, but where we have a foreign authority collecting assessments and paying benefits the commission is given authority to take care of that situation.

The WITNESS: The simpler it is the better for us. As long as we have that principle quite clearly established, that notwithstanding anything in the Act that cannot be done, we will be happy.

Mr. MILLS: As long as the principle of avoidance of duplication of taxes and benefits is the objective that is what they should aim at.

The CHAIRMAN: Don't you think it might be well to take all these things up and bring them in in such form that you can read them? We have the explanation, and I do not think it will take us very long. In the meantime the sections referred to will not be taken as non-contentious ones and will stand.

Now, section 26 stood over.

Mr. MACINNIS: Could I raise a little matter? I have a wire from an organization in Vancouver that asks for an immediate reply, and I was wondering if the committee could help me with that reply. It has reference to this bill. The wire is as follows—it is addressed to myself: "Are paid permanent fire department employees included in the Employment Insurance Act?" That is the query in the wire. It is signed by E. R. Sly, President of the Provincial Association of Fire Fighters.

Mr. HANSELL: Mr. Chairman, discussing whether these firemen come within the scope of the bill of excepted employment my friend pointed out this afternoon to me that there was another type of employment that evidently was not in the excepted list, and that is clergymen.

Mr. HODGSON: They are not in contractive service.

Mr. STANGROOM: They are professional men.

Mr. HANSELL: They are just not in it. That answers the question.

The CHAIRMAN: Section 27: it stands. Section 28?

Mr. REID: Could we have an explanation of the intention of subsection 4?

Mr. BROWN: That is an additional clause which was not in the Act of 1935. It is a provision which is in accord with arrangements that exist in the old country where they have found it desirable to provide courses of retraining and training, and if they provide courses of retraining and training, of course, it is required that people should attend these courses.

Mr. ROEBUCK: Is not that limited in the old country to boys under eighteen?

Mr. STANGROOM: No. If some particular skill has no longer any market value and the particular group or occupation is fading out completely they insist that that man take some new course of training.

Mr. REID: That is a new principle to adopt in this country.

Mr. ROEBUCK: It may be a new principle but it is a jolly good one.

The CHAIRMAN: Shall subsection 1 carry?

(Subsection agreed to)

Shall subsection 2 carry?

Mr. GRAYDON: On subsection 2, it appears here that a claimant for benefits would have to prove he was unemployed on each day on which he claimed to have been unemployed. Now, what about the angle of convenience in that matter? Does a claimant for benefits have to attend no matter what distance

he may be from an unemployment service office to prove that each day during the week in which he is taking his benefit he was unemployed?

Mr. HODGSON: No, it does not mean that; it merely means that where some party asserts that there is doubt as to whether the man was unemployed the onus is upon the man himself to prove he was unemployed, and in particular under section 33 there are a number of cases in which the man is not deemed to be unemployed although his work has terminated and he is not actually at work.

Mr. GRAYDON: What kind of proof does he have to give?

Mr. HODGSON: He must prove, for example, that the day in question is recognized as a holiday for his grade or class or ship, or that the day in question is in excess of the normal number of days in his full working week.

Mr. GRAYDON: Surely that proposition cannot be exactly according to the regulation. Does it mean that no proof ever has to be adduced unless someone asserts to the contrary?

Mr. HODGSON: No, not entirely that.

Mr. GRAYDON: How far does this proof go? I am anxious to get at the mechanics of this thing so that if a man wants to get his unemployment insurance benefits I want to know the mechanics through which he must go to get them.

Mr. STANGROOM: In the United States they were willing to accept a certification by mail. They found that unsatisfactory. They brought it in once a week—attendance at the office; in some places they make it twice a week. In Britain it varies from twice a week to three times a week, and in the case of people who are suspected of taking other employment it is every day.

The CHAIRMAN: It is by regulation.

Mr. STANGROOM: Yes.

Mr. GRAYDON: As I understand it these employment offices will be necessarily, because of the broad character of our country, a good piece away from the place where the unemployed person is living.

Mr. HODGSON: Where that is the case, it is to be assumed that the commission will prescribe a just means of treating such cases.

Mr. ROEBUCK: I suppose it would be possible to take declarations.

The CHAIRMAN: That will be for the commission to decide.

Mr. GRAYDON: There will be some convenience afforded to these working-men. I am anxious that they shall not be forced to travel long distances in order to accomplish this end.

Mr. HODGSON: Something will be done about it.

The CHAIRMAN: Shall sub-section 2 carry?

Sub-section agreed to.

Shall sub-section 3 carry?

Mr. GRAYDON: I am sorry to be so troublesome. Sub-section 3 says, "that he is capable of and available for work but unable to obtain suitable employment". Now, if a man has, perhaps, drawn two weeks of benefits and then he takes ill and is not any longer available for work—is incapable of working—what is the situation in the department of a case like that?

Mr. HODGSON: If the man takes ill he does not draw benefits, because unemployment insurance is not a health insurance scheme. It can compensate for loss of wages, and when a man is not available for work he is not unemployed.

Mr. GRAYDON: I beg to differ with the department on that point. I think that that is an inhuman kind of section, because the very time when the man needs the money is when he is sick. I quite understand the theory in regard

to this matter, but from a practical standpoint, it seems too bad that because a workingman happens to take sick for a week or so his benefit is gone.

Mr. HANSELL: His income is gone too.

Mr. GRAYDON: Is there no way that that could be rectified?

Mr. STANGROOM: By health insurance.

Mr. GRAYDON: Health insurance is not contemplated in this Act.

The CHAIRMAN: If you extend the Act to cover health insurance, of course, the whole basis of your Act has gone.

Mr. GRAYDON: I understand. I wanted to bring that point out because it seemed to work a hardship. Perhaps it cannot be rectified. It seems hard that at a time when a man most needs assistance it is not there.

Mr. HANSELL: I think Mr. Graydon's reasoning is good, and I rather think that many of the labouring people in Canada will be surprised to learn what we have just heard.

The CHAIRMAN: I do not think so. I think they are all very familiar with it.

Mr. HANSELL: If they are not surprised they will be disappointed at least.

The CHAIRMAN: This is not health insurance.

Mr. HANSELL: I admit that.

Mr. HEAPS: The same provision applies in other countries.

Mr. HODGSON: There is no unemployment scheme which carries health insurance as part of itself that I know of.

Mr. GRAYDON: I fail to see that this is a complete argument.

Mr. HODGSON: I was not asserting that it was a complete argument.

Mr. McNIVEN: There are thousands of employers who do pay their employees when they are sick. For example, the Dominion government allows eighteen days' sick leave.

The CHAIRMAN: Yes. But if you are going to inject into this act a health clause and make it a health insurance act, then the whole fundamental actuarial basis of the thing has to be entirely revolutionized.

Hon. Mr. MACKENZIE: You might do that some day.

Mr. GRAYDON: In connection with the point raised by Mr. McNiven, I would say that I am not referring to the point where a man is laid off employment because of just being ill. I am taking the point where he has been laid off employment, where he no longer has any connection with his former employer at all. He is drawing these benefits and then he takes sick. That is the point I was raising.

Mr. McNIVEN: I understand that.

The CHAIRMAN: Is that satisfactory, Mr. Graydon?

Mr. GRAYDON: It is not satisfactory; but on the other hand I realize the difficulty.

Mr. STANGROOM: A point that might be remembered is that he does not lose subsequent rights by losing the week of sickness.

The CHAIRMAN: Shall section 3 carry?

Sub-sections 3 and 4 agreed to.

The CHAIRMAN: Section 29, sub-section 1.

Mr. GRAYDON: What does that mean by "no account shall be taken of any contributions paid in respect of him for any period during which he was not bona fide employed in insurable employment"? When could a case of that kind arise?

Mr. STANGROOM: A man may have his card stamped and not be employed, really in anticipation of getting the benefit.

[Mr. F. C. S. Evans.]

Mr. HODGSON: That case was brought up last night.

Mr. ROEBUCK: Suppose there was a mistake and he was in employment that he thought was insurable but later on it was determined he was not.

Mr. HODGSON: That is dealt with later on.

Sub-section 1 & 2 agreed to.

The CHAIRMAN: Section 30. Is that agreed to?

Mr. GRAYDON: On that section 30, will there be a copy of the regulations governing such matters as section 30 covers placed in the hands of every working man, so he will know exactly what his rights are?

Mr. HODGSON: I do not know that they will be provided to every individual workingman, but they will be adequately publicized.

The CHAIRMAN: There will have to be wide publicity.

Mr. GRAYDON: Quite.

Section 30 agreed to.

Section 31, sub-section (a) agreed to.

The CHAIRMAN: Subsection (b).

Mr. CHEVRIER: What is the meaning of "good employers"?

Mr. HODGSON: The term "good employers" was chosen in preference to the term "fair and reasonable" or "reasonable and fair employers" chiefly on the grounds that a fair and reasonable employer is an employer who is willing to give terms equivalent to collective agreements; whereas a good employer means not only a man who is fair and reasonable but also a man who is capable of giving those conditions. It is quite conceivable that a fair and reasonable employer may not be in the position to give the required terms. Hence the adjective "good" was chosen in preference.

Sub-section (b) (i) agreed to.

Sub-section (b) (ii) agreed to.

The CHAIRMAN: Sub-section (b) (iii).

Mr. GRAYDON: In that sub-section (iii) it would appear that a labourer who was in the highest possible bracket in his type of employment, would never perhaps find employment at a wage which was higher than that which he was getting. In that event he would continue getting his unemployment benefits apart from this section, as I understand it.

Mr. MOORE: There is a proviso covering that.

Mr. GRAYDON: Yes, I read that.

The CHAIRMAN: I do not think they get the exact point that you are making, Mr. Graydon.

Mr. GRAYDON: The point that I was trying to make, and which I perhaps did not make very clear to them, was this: This subsection reads: "An offer of employment of a kind other than employment in his usual occupation at wages lower than, or on conditions less favourable" and so on. If the man was in the highest income bracket in his particular line of work, he would then always be able to say that he should have his unemployment benefits because there was no employment except at a lower wage available for him.

Mr. ROEBUCK: You are overlooking the words that follow "than those which he might reasonably have expected to obtain, having regard to those which he habitually obtained in his usual occupation. It is only that these things shall be held in mind having regard to those which he habitually obtained in his usual occupation or would have obtained had he continued to be so employed." If he was getting the highest wage in the employment and he loses that job, he cannot reasonably expect to always be paid the highest wage.

Mr. GRAYDON: If that is the interpretation, that is quite satisfactory. I was trying to perfect the draftsmanship.

Mr. HODGSON: I think that is it.

Sub-section (b) (iii) agreed to.

Section 32, sub-sections (a) and (b) agreed to.

Hon. Mr. MACKENZIE: Some redrafting is necessary in (c), is there not, after the word "of". The words "any association, organization or union of workers apply to (a), (b) and (c). Redrafting is necessary. You start with the word "of" and put the other lines below.

Mr. JACKMAN: What section is that? It is section 32, sub-section what?

Mr. HODGSON: At the top of page eleven.

Mr. ROEBUCK: Is that any association, organization or union of workers?

Mr. GRAYDON: That is any kind of union of workers. No restrictions on it.

Section 32, sub-sections (a), (b) and (c) as redrafted agreed to.

Mr. JACKMAN: Might I go back to 31 and the proviso clause there where a person is unable to get employment, this reads: "employment shall not be deemed to be unsuitable by reason only that it is employment of a kind other than employment in the usual occupation of the insured person". Does that mean that if he were a steel worker he could not be offered employment in another line? I do not quite understand the import of the whole thing.

The CHAIRMAN: He could be offered employment in another line. That is what it is intended to cover.

Mr. JACKMAN: Can he be offered employment in another industry?

The CHAIRMAN: Yes, in another industry; another line of work.

Mr. BROWN: If it is an employment at wages not lower and it is not less favourable than those observed by agreement between employers and employees.

Mr. JACKMAN: If he was a tool maker, for instance, he could be forced to take a job as a machinist?

Mr. STANGROOM: It usually applies that a person is registered as having one occupation; and in Great Britain the cards are marked with several subsidiary occupations that the man may have had during the previous two years; and he is willing to recognize that those are employments in which he will accept an immediate job offered to him. If work is not available in any of those employments, either his main employment or any of his subsidiary skills, then the commission may say, "this particular work we think you can do." He can raise objection to that, and it is a matter of decision, to say, "there is no work available for you in your normal occupation; here is work which we think you can do and is suitable". He may raise all sorts of objections as to its unsuitability. That is a matter of agreement with the referee.

Mr. JACKMAN: You are quite satisfied it is not too rigid a proviso?

Mr. STANGROOM: Yes.

Mr. REID: There is a lot of power with the commission.

Mr. JACKMAN: Yes, there is a lot of power. Really what was in my mind was whether you have to find an occupation in the same craft or, according to the C.I.O. idea, in the same industry.

Mr. HANSELL: Is there any particular significance in the word "only" in section 32, in the third line? It may be just couched in legal terms which I do not know very much about.

Mr. STANGROOM: Merely that the section refers only to that particular thing.

Mr. HODGSON: The "only" is restrictive.

Mr. HANSELL: I see.

[Mr. F. C. S. Evans]

Mr. GRAYDON: Legal technicalities.

The CHAIRMAN: Shall we revert to section 33? Sub-section (a) has to stand, of course.

Section 33, sub-section (b) agreed to.

Mr. ROEBUCK: Going back to No. 33, Mr. Chairman—

The CHAIRMAN: We are still on No. 33.

Mr. ROEBUCK: I mean to sub-section (b) of 33. It is quite a long one and it is hard to read it rapidly.

The CHAIRMAN: All right. Just stop me.

Mr. ROEBUCK: If you will take the last three lines "or where the remuneration or profit is payable or is earned in respect of a period longer than a day, the remuneration of profit . . ." that "of" should be "or".

The CHAIRMAN: Yes, that is right. It should read "or profit".

Mr. GRAYDON: On that sub-section (b), Mr. Chairman, can a man draw any kind of private pension or compensation and still draw the unemployment insurance?

Mr. HODGSON: Yes.

Mr. GRAYDON: It does not affect it at all?

Mr. HODGSON: No.

Sub-sections (c) and (d) agreed to.

The CHAIRMAN: Shall the section be agreed to, reserving sub-section (a)?

Section 33, sub-sections (b), (c) and (d) agreed to.

The CHAIRMAN: Section 34, sub-section (a).

Mr. McNIVEN: The calculation in section 34 seems to be very complex. I am wondering if one of the auditors could give us an illustration.

The CHAIRMAN: That is the ratio rule, is it not?

Mr. BROWN: We discussed that yesterday, but it could be done.

The CHAIRMAN: When you get into it, it is not as complicated as it sounds. For instance, this afternoon, that is where the man from Montreal went wrong in his calculation of 6 and 2 instead of 6 and 4. That is the application of the ratio rule. You might explain that, Mr. Stangroom.

Mr STANGROOM: The benefit ratio is one day of benefit for every five days of contribution paid in the preceding five years, less one day for every three days' benefit drawn in the preceding three years.

Mr. GRAYDON: We cannot hear over here, Mr. Stangroom.

Hon. Mr. MACKENZIE: That is our trouble over here. All the conversation seems to be directed over there.

Mr. STANGROOM: For example, suppose a man works thirty weeks during the first year that he is covered with unemployment insurance. He would be entitled at the end of that period, if unemployed and if he fulfilled the other statutory conditions, to one-fifth of that thirty weeks in insurance benefits, that is six weeks. If he worked thirty weeks during the second year of his coverage and again became unemployed, he would have accumulated sixty weekly contributions, one-fifth of which would be twelve weeks; but from this would be deducted one-third of the number of benefit days which he had enjoyed in the previous year. That is two weeks. Therefore, the period of benefit to which he would be entitled in the second year would be ten weeks. If he had the same employment experience of thirty weeks in the third year, his benefit would be 76 days; and in the fourth year—

By the Chairman:

Q. Why do you put it in the form of days?—A. It is not in even weeks. In that fourth year his benefit would be 87 days. If over a period of years he

was normally employed for thirty weeks, he would be entitled to fifteen weeks' benefits and the benefits would be the same if he worked on an average of thirty weeks or exactly thirty weeks each year. Similarly a man who works twenty-four weeks in a year, either exactly or on the average, would be entitled to twelve weeks' benefits after he had built up five years employment history. A man working thirty-six weeks in the year would accumulate more benefit rights than he would be entitled to use; I mean, that he could not use all his benefit rights. A man fully employed for five years would be entitled to one year's benefit.

Mr. BROWN: That has been gone into actuarially.

Mr. McNIVEN: I should like to read it in the report to-morrow.

Mr. GRAYDON: I think most of us had a good deal of difficulty when we were listening to Mr. Stangroom's very lucid presentation. I think if anyone sits down and figures it out, following the sections here he will find it is very plain and very clear once that is done. I suggest members do that because it is a very very simple formula once it is worked out.

The CHAIRMAN: It is much simpler than the 1935 act.

Mr. BROWN: Yes.

The CHAIRMAN: On subsection (b).

Subsection (b) agreed to.

On section 35.

Section 35 agreed to.

On section 36.

Mr. GRAYDON: Just what does section (b) of clause 36 mean? It says, "for the first day of unemployment in any calendar week—"

Mr. HODGSON: The purpose of it is this, of course, it is part of the provision which eliminates the former continuous unemployment provision. This seems the only expedient by which the same purpose can be achieved. In general what it means is that a man does not receive benefit until he has already served his waiting time of nine days unless the first day of unemployment in a week in which he makes a claim immediately follows the week of unemployment, that is, a full working week of unemployment. Is that clear?

Mr. GRAYDON: Would you mind setting that out in days of the week so we will have it clear?

Mr. HODGSON: It is rather difficult because sometimes a man's normal week does not begin until Tuesday. Assume that the man begins as a general rule his week's work on Monday. Then, if he has already served nine days in groups of three or groups of two during that year and has say—

The CHAIRMAN: Nine days accumulated?

Mr. HODGSON: And so accumulated his six days of unemployment which occurred in any benefit year as specified in (a) then on this Monday he may apply for benefit; but he will not be entitled to benefit unless that Monday immediately follows a full week of unemployment, which may be part of his waiting period, part of his nine days.

Mr. GRAYDON: It is quite clear now.

The CHAIRMAN: Is subsection (b) agreed to?

Subsection (b) agreed to.

Shall the section carry?

Section agreed to.

On section 37.

Section 37 agreed to.

On section 38.

Section 38 agreed to.

On section 39.

Mr. ROEBUCK: That is where this error comes in that you were talking about where he gets into the wrong pew.

Section 39 agreed to.

The CHAIRMAN: On section 40, subsection 1.

Mr. GRAYDON: Mr. Chairman, I am having difficulty in reading this.

The CHAIRMAN: Do not hesitate to stop me.

Mr. GRAYDON: What does subsection (b) mean?

Mr. HODGSON: Subsection (b) is a rather clarifying provision. Instead of insisting that he must pay 180 further contributions before requalifying he must pay simply 60 days.

The CHAIRMAN: That is where he has exhausted his benefit.

Mr. HODGSON: That is right.

Subsection (b) agreed to.

The CHAIRMAN: On subsection 2.

Subsection 2 agreed to.

On subsection 3.

Subsection 3 agreed to.

On section 41.

Section 41 agreed to.

On section 42 (1).

Mr. ROEBUCK: Here is this word "anomaly" slipping in; I wish I knew what it meant.

Mr. HODGSON: This again is a matter for the commission. This whole subsection provides that the commission may make regulations where the treatment of casual workers, seasonal workers, paid otherwise than by time would result in uneven treatment.

Mr. GRAYDON: Have you any instances in mind in regard to this section that the section is intended to cover?

Mr. HODGSON: Well, it has been found in the British experience that seasonal workers could not be treated under the general provision and special regulations had to be devised in interpreting certain of the other general provisions of the act.

Mr. REID: How do you propose to deal with the case of a man being paid partly in wages and partly in the form of board and lodging?

Mr. HODGSON: There, presumably, the commission would evaluate the board and lodging under the regulating power given by this subsection.

The CHAIRMAN: Is the subsection agreed to.

Subsection agreed to.

Mr. GRAYDON: Subsection (c) would cover piece workers, as I see it here.

Mr. HODGSON: Yes.

Mr. GRAYDON: That would be a matter of regulation by the commission, you say?

Mr. HODGSON: Yes, sir.

The CHAIRMAN: On subsection 2.

Subsection 2 agreed to.

Mr. ROEBUCK: I do not know why special provisions should be imposed on the commission in this instance, as it is in the general regulation. You find in section 92 they make all sorts of regulations, but I do not remember that they are to give notice or anything like that. Why the distinction? The section

says: "The Commission shall give such public notice as it considers sufficient of its intention to make regulations under this section and shall receive any representations which may be made to it with respect thereto."

The CHAIRMAN: Does 92 cover all that?

Mr. ROEBUCK: It is a rather pious hope, but that hope is there. It does not lay any direct obligation on them.

Mr. STANGROOM: As it is intended that it shall remove anomalies the interested parties should be heard. It deals particularly with seasonal employment, and casual employment, and people might not be represented by organizations in some cases.

Mr. ROEBUCK: Well, it does not do any harm.

The CHAIRMAN: Subsection 2 is agreed to.

On subsection 3.

Subsection 3 agreed to.

On section 43, subsection 1.

Mr. GRAYDON: Mr. Chairman, I am sorry to have to revert to some sections that have been passed, but I should like to discuss the question of piece workers.

The CHAIRMAN: Subsection (c) of 42.

Mr. GRAYDON: Yes. The question of piece workers, I fancy, will have to be dealt with by many members of parliament when they leave and go home after the session. They will be asked by those who are engaged on piece work in various factories just what they may expect in regard to unemployment insurance. I do not want the officials of the department to contemplate what might be the policy of the commission—perhaps they would not care to anyway—but I should like to have some idea what is in the mind of the department in regard to that kind of employee. There are many factories in which piece work is carried on. I know in my own riding there are at least three or four that work on piece work and the kind of employment in which they are engaged would indicate they come under the provisions of the Unemployment Insurance Act. I think it would only be fair that members should be in a position to give some answer to questions of that kind from a practical viewpoint.

Mr. HODGSON: One of the chief difficulties in dealing with piece work is in determining what is a full working week, and piece workers are placed in section 42 as a special case chiefly I think for that reason. There is no desire, I do not think, to shelve the question indefinitely; it merely indicates that the question of piece workers cannot be treated by a general rule but requires detailed regulations and hence that regulatory power is given.

Mr. ROEBUCK: Is it not contemplated that regulations will be made and piece workers will be put on?

Mr. HODGSON: Most decidedly.

Mr. GRAYDON: Having regard to the remuneration they receive.

Mr. HODGSON: Yes.

Mr. ROEBUCK: I know what would happen in my riding if they were not put on. If you have three in your riding I have thirty.

The CHAIRMAN: Shall we revert to 43? On section 43, (1).

Mr. REID: I am not clear with regard to clause (a). I mentioned it earlier in the proceedings. What is troubling me in the clause is this: suppose a strike takes place. A man is out as long as he is on strike; he receives no benefit; he is disqualified. He can leave that locality and go and take employment somewhere else and he would then become eligible for benefit; but I am thinking of the commencement of work in the factory after the strike is over. Shall we say only 10 of the 12 men are taken back and two of them are left out. What will take care of those two that may be left out?

[Mr. F. C. S. Evans]

Mr. HODGSON: The disqualification, sir, as I understand it, lasts only as long as the stoppage of work continues. And so if the man is not re-employed he will, when the stoppage of work ceases, draw his benefit.

Mr. ROEBUCK: Are these sections cumulating?

Mr. HODGSON: Yes, they are. He must prove (i) and (ii).

Mr. ROEBUCK: When the stoppage of work is ended and he starts in, surely the disqualification does not apply whether he is financing or not.

Mr. HODGSON: Absolutely, but the disqualification does not even apply during the stoppage, if he can prove these other things.

Mr. ROEBUCK: It shall not apply in any case in which the insured person approves. I get it.

Mr. MACINNIS: Sometimes in the labour movement one organization may have to finance another organization which is on strike. Supposing a person is unemployed in an organization that is not on strike but is contributing to an organization that is on strike.

Mr. HODGSON: And is discharged for that reason?

Mr. MACINNIS: Oh, no, no, but he is unemployed. Say that he is a street railway man but unemployed at the time; he belongs to the street railway men's union which is supporting the bricklayers in a strike, helping them finance that strike; does this debar the street railway man from getting benefits under the Unemployment Insurance Act?

Mr. HODGSON: I think, sir, perhaps the best way to answer that issue is to read from a brief memorandum which we have on this specific point. It will take but a moment and I think it will show the principles that underlie the interpretation:—

Disqualification for participation in a labour dispute entails three preliminary conditions.

1. There must be a labour dispute.
2. The dispute must have occasioned a stoppage of work.
3. The claimant must have lost employment by reason of that stoppage, and the dispute must be at the premises where the claimant is employed.

The fact that an employer without offering terms discharges a workman as not worth the standard rate, or not wishing to employ union members, discharges them without offering continued employment on any conditions, would not constitute a labour dispute.

It is immaterial which side is responsible, or that one side is acting unreasonably or arbitrarily or contrary to the terms of an agreement or to long established custom if there is in fact a dispute; the merits of the dispute are irrelevant. It is equally irrelevant that either the employers' or the workman's association is taking no part in it or not officially recognizing it, or that either side is not utilizing its full resources by a general lock-out or by a general calling out of all work people.

Disputes between employees and employers include disputes about trade union membership, disputes about the demarcation of duties, endeavours of employees who are on strike or locked out to prevent other employees who wish to work from doing so and disputes between unemployed workers and those in employment. As in the case of a dispute between employers and employees it is not essential that any association be involved; provided there is a concerted action in furtherance of some point of principle by a number of work people to prevent or to limit the employment of other work people, that is to say provided that the difference is not merely a series of individual quarrels, the fact that

one body pursues its objections to the employment under existing conditions of the other body is sufficient evidence of a labour dispute.

The CHAIRMAN: That section is identical with the British Act?

Mr. HODGSON: Yes.

Mr. BROWN: It goes back to the beginning of the British Act.

Mr. MACINNIS: That takes care of the point I raised.

The CHAIRMAN: Agreed.

Mr. ROEBUCK: Paragraph (ii), I suppose, provides that if the cutters go on strike and close up the shop that would not prevent the sewing-machine girls from getting their pay or remuneration or benefits?

Mr. STANGROOM: No.

Mr. GRAYDON: They are not taking part in the stoppage.

Mr. STANGROOM: No.

The CHAIRMAN: Sub-section (b)?

Sub-section (b) agreed to.

Paragraph (i) agreed to.

Paragraph (ii) agreed to.

Paragraph (iii) agreed to.

Mr. MACINNIS: How do these sections compare with the British Act?

Mr. STANGROOM: They are very similar.

Sub-section 3 agreed to.

Sub-section (d) agreed to.

Sub-section (e) agreed to.

Mr. REID: Do you think sub-section (e) is fair to cut off a man from relief if he dares to go across the line? If he is permanently out of Canada I think it is all right, but temporarily, if you interpret that literally, a man who is out of Canada for a couple of days is disqualified.

The CHAIRMAN: He does not accrue any benefits.

Mr. REID: Why should he not receive benefits?

Mr. STANGROOM: He would not be available nor could he apply for benefits. He could not register at the exchange for a benefit if he was out of the country.

Mr. REID: I am thinking of a case of this kind. A man is laid off and he starts to receive benefits; he gets a call to go across the line, perhaps to visit a sick relative for a day, and he is temporarily out of Canada for that time and is cut off. Have you any way of overcoming that? He may be available for work the following day.

Mr. HODGSON: It is my impression that he loses the benefits for that day.

Mr. STANGROOM: The British custom is to interpret it fairly loosely in particular circumstances like that.

Mr. REID: If this has been copied from the British Act, I can see the reason for it being in the British Act, but this is Canada. In Britain you would have to go a long way to get out of the country, but you could walk out of this country.

THE CHAIRMAN: That would have to be interpreted reasonably.

Mr. MACINNIS: It says, "while he is a resident, whether temporarily or permanently out of Canada."

Mr. GRAYDON: Yes.

The CHAIRMAN: But one day's visit would not constitute residence; it would have to be for some period of time. Of course, we know what that means. "Temporary" would not mean a visit to the United States; he is not residing there, he is merely visiting. He would not be a resident if he went over there for a day or so. If you go to New York for a period of two weeks, are you a resident of New York?

[Mr. F. C. S. Evans]

Mr. GRAYDON: The question of residence is a very wide and complicated problem.

The CHAIRMAN: Yes, but one day's visit would never constitute residence, nor would a visit of two days.

Mr. BROWN: If he had a residence back home.

The CHAIRMAN: You would not change your residence because of a short visit of that kind.

Mr. GRAYDON: In that case Mr. Reid's problem is solved.

The CHAIRMAN: I think so.

Now sub-section (f).

Mr. ROEBUCK: Why was this put in?

The CHAIRMAN: What was the purpose of that?

Mr. HODGSON: A person is not paid old age pension, it is my understanding, until he can give proof of need. Once he is paid old age pension he ceases to be available for employment, presumably. We have a memorandum on the question in greater detail.

Mr. GRAYDON: Surely that can not be so.

The CHAIRMAN: I think Mr. Neill made out a pretty good case in the house the other day regarding that point. You make certain contributions as of right and the person is entitled to the benefits that go with those contributions. But the mere fact that he is given not as a right but as a gift the old age pension, I do not see why they can say, "We are taking away what you get by right in favour of what you get as a gift."

Mr. REID: You are bringing in this clause a needs test, so to speak. That is not in any of the other clauses. A worker can receive any sum of money, according to any of the other clauses, but when you come to this clause you say he must not receive the old age pension.

Mr. HODGSON: The question was discussed in 1935, and I have a quotation here from Hansard on the question. Mr. Neill enquired why an injured person would receive no benefit under the 1935 Act if he was in receipt of an old age pension. Mr. Bennett replied:—

Mr. BENNETT: The hon. member has perhaps overlooked the fact that it is not probable he would be employed if he were in receipt of an old age pension. In order to receive such a pension he would have to negative the condition employment. It is perfectly clear anyone in receipt of an old age pension would not be employed.

Mr. HANBURY: No, or he would not be receiving an old age pension.

Mr. REID: I just cannot get it clear why you have it in that clause. It is superfluous, to my mind; I may be wrong.

Mr. GRAYDON: I think that point is right when you figure it out, because, after all, in most of the cases of old age pensions a person is not allowed to have an income of more than \$240 per year.

Mr. BROWN: \$360.

Mr. GRAYDON: \$240 is my recollection of it.

Mr. HEAPS: \$365 a year.

Mr. GRAYDON: In that event, of course, he would be over the 90 cent rate.

Mr. ROEBUCK: Why not let it take care of itself automatically? Why not allow the old age pension people to worry with it?

The CHAIRMAN: That seems to be the logical thing. If he is not entitled to the benefits then he will not get them. If he is entitled to them, should he be precluded from drawing them when he is entitled to them as a right because he might be receiving something as a bonus from the State?

Mr. BROWN: That might only be a very few dollars.

The CHAIRMAN: That is true.

Mr. HODGSON: Just as a person who is ill, although normally he would have rights under the Unemployment Insurance Act, is not given benefit, so the person who falls within the scope of the Old Age Pension Act, another form of social insurance, if you like, although having his rights in a sense, is not paid simply because he is drawing one form of special provisions.

The point is that unemployment insurance is intended to deal with unemployment for short periods in particular. It is not intended either to be a part of a health insurance scheme, in the first instance, or an old age pension.

Mr. REID: Why not leave it to the old age pension department? I can visualize a man working until he is 70 years of age who may just have been laid off employment and the old age pension authorities will look into the question of whether he has any money coming to him.

Mr. HEAPS: He has to make out an application and state all the necessary particulars.

Mr. REID: Leave it to the old age pension authorities.

Mr. ROEBUCK: Can a man not get a portion of an old age pension if he is getting some very small pay? If he is getting none, he gets the whole \$240 or \$365. Now, he may have some small little job that provides him with half a living, and therefore gets half a pension. If that were the case that you disentitled him to what he is paid as a right because he is getting some miserably small old age pension, it would be a hardship and an injustice and an anomaly.

Mr. HODGSON: I would like to put myself on record as not holding any brief in particular on one side or the other of the question. I was merely pointing out the considerations which lay behind the retention of that provision in the 1935 Act.

Mr. ROEBUCK: I move that it be struck out.

Hon. Mr. MACKENZIE: I move that it be struck out.

The CHAIRMAN: Is the section agreed to?

Some Hon. MEMBERS: Agreed.

Section (d):

Mr. MACINNIS: This is a section that I would like to have interpreted. I do not know whether I understand it aright or not. It was explained to some extent by Mr. Hodgson yesterday. As I understand it, if a person in category zero had made 15 contributions and 15 contributions in another category then both of these would be averaged and he would receive whatever was coming to him in the form of benefits or insurance of that sort; but if a person has made 14 contributions in respect of or during two years in the lowest category zero, how many contributions would he have to make in one of the other categories?

Mr. HODGSON: He would have to make 16 in one of the others to get the benefits. But I might point out a point which has occurred since this bill was printed. It appears that there is a possible anomaly which may arise even as it stands. Where a person moves from category zero into category one for 30 weeks in the former fund he was not qualified for those 30 weeks to benefits. This paragraph (d), which is now I believe (f), would provide that he would not draw that benefit although he is entitled to it on the basis of the 30 weeks' contributions, in such cases where he has been employed in category zero for a considerable period of time. It may be that the drafting might be clarified to eliminate that anomaly.

The CHAIRMAN: Shall we let the sub-section stand?

Sub-section stands.

On section 44: Section agreed to.

[Mr. F. C. S. Evans]

Mr. ROEBUCK: Before we leave this would you let me make a point, because it may come into the redrafting. I may not have understood it. When he is in zero class and then moves up into the lowest classification and has paid more than one-half the total contributions he then becomes eligible, if he moves into the next class up, does he not also become eligible?

Mr. HODGSON: Yes.

Mr. ROEBUCK: Well, this says here; or in the lowest rate of contribution.

Mr. HODGSON: The lowest rate of contribution is the 9 cent rate provided in category zero, and that is the reason why when the question was brought up last night—there is a contribution paid in respect to the workman—and that is why the 9 cents in the schedule is placed as the workman's contribution, but with the note that it is paid on behalf of him by the employer.

Mr. GRAYDON: The employee gets the credit?

Mr. HODGSON: Yes, that is so.

Mr. MACINNIS: The employee gets the credit when it comes to the payment of insurance benefits.

Mr. ROEBUCK: It needs redrafting there.

The CHAIRMAN: We are going to redraft it.

On section 44: Section agreed to.

Mr. McNiven: Does not that run contrary to the amendment to the Criminal Code passed last year?

The CHAIRMAN: I do not think so.

Mr. McNiven: That amendment provided that it was unlawful to discharge a man because of membership in a union.

The CHAIRMAN: This is more or less a supplement to the section of the Criminal Code rather than otherwise; because this says that under the Unemployment Insurance Act it shall not be deemed to be misconduct if he is discharged for the reason that he is a member of a trade union. In other words, it is more supplementary to rather than contradictory of the provisions of the Criminal Code to which you have referred.

Mr. MACINNIS: It does not prevent him being discharged and it does not prevent him from taking action for being discharged; it merely provides that he will not lose benefits thereby.

Mr. McNiven: Any employer who does discharge him would be liable to prosecution under the Criminal Code.

The CHAIRMAN: It would not have anything to do with his not working. It would not be misconduct.

Mr. GRAYDON: In a case where the employee is discharged the penalty attached is under the Criminal Code if he is discharged, but in the meantime they do discharge him.

Mr. ROEBUCK: It does not apply in Ontario, nor in any of the provinces where it has not been made illegal.

Section agreed to.

On section 45, sub-section (a):

Mr. REID: May I ask, Mr. Chairman, is there any provision under the Act or any clause whereby an insured person can appeal as a question of law? I understand that in the United States the accused person has that right.

The CHAIRMAN: There is no prohibition of his doing so, which means that the right has not been wiped out; in other words you would not have to put it in the Act, you would not have to have specific provision to appeal.

Mr. REID: A corporation can be sued. Here we are putting this thing under a commission which has the power of a court. Are there any referees to whom an insured person so disqualified can appeal should such an occasion arise?

Mr. STANGROOM: That still does not prevent him from taking action.

The CHAIRMAN: He can still go to court, there is no expressed prohibition.

Section 45 agreed to.

On section 45, subsection (a):

Subsection (a) agreed to.

Subsection (b) agreed to.

Mr. MACINNIS: I think we should get sufficient time to read these sections.

The CHAIRMAN: By all means. Stop me. I am just assuming that you have already reviewed the sections.

Mr. MACINNIS: I have read them before, but I just wanted to look them over again.

The CHAIRMAN: We are just dealing with subclause (a) there.

Mr. MACINNIS: I understand that.

Subsection (a) agreed to.

Mr. JACKMAN: The commission will always sit in Ottawa?

The CHAIRMAN: I would not say they were limited. They have to reside within ten miles of Ottawa. I would say that like the Board of Transport Commissioners they would necessarily have to sit in Ottawa.

Mr. ROEBUCK: They do not have to make personal recommendation.

On subsection (b):

Mr. McNIVEN: Is that not that the decisions of the commission shall be final, that these matters shall be decided by the commission?

Mr. HODGSON: A little further on, in section 47, it provides that any person aggrieved may appeal.

Mr. GRAYDON: That raises the question asked by Mr. Reid again, the question of appeal to a court of law. I must say that I was not entirely satisfied with the explanation given about appeals to a court, because in many of these matters where the decision is left to a board of commissioners or to a commission my humble opinion is that there is no appeal to a court.

Mr. ROEBUCK: There is, when it does not follow out the express provisions of the Act; but if discretion is left to the board or officer the court will not substitute itself for that officer in the exercise of discretion; but the discretion must not be depreciated or used for ulterior motives, it must be exercised in accordance with the provisions of the Act; and not infrequently the boards under this kind of Act go outside of the powers given them by the Act.

The CHAIRMAN: For instance, under the Lemieux Act it has happened.

Mr. ROEBUCK: Yes, a case of that kind went to the Privy Council.

The CHAIRMAN: Yes, and where there was supposed to be no appeal to the courts at all.

Mr. REID: I see where under this Act there is an appeal to a commissioner or umpire; and a referee or umpire is a person or persons designated or appointed by the commission itself.

Mr. HODGSON: The umpire is appointed under subsection 3 of section 52; the Governor in Council may, from amongst the judges of the Exchequer Court of Canada and from the Superior Courts of the provinces of Canada, appoint an umpire and such number of deputy-umpires as he may deem necessary for the purposes of this Act, and so on.

Section 46 agreed to.

Section 47 agreed to.

Section 48 agreed to.

Section 49 agreed to.

[Mr. F. C. S. Evans]

Mr. ROEBUCK: Well now, wait a minute. Under section 48 the commission or the umpire may on these facts being brought to its or his notice rescind or amend any decision given by it or him, as the case may be, under section 46. Now, then, in that case, by "it or him"; that is, the umpire may act only on new facts brought to his notice.

Mr. HODGSON: Does it not mean, sir, that the umpire can only revise his only decisions when new facts on his own decisions are brought to his notice?

Mr. ROEBUCK: "given by it or him"; that does look as though the umpire might change the decision of the commission.

Mr. HODGSON: That may be a case where the words were intended to convey the intention of "respectively."

Mr. ROEBUCK: Don't you think you had better put in the word "respectively, as the case may be"? I would put in respectively there.

The CHAIRMAN: I would not want to see us do that without obtaining some opinion from Justice on it because this has been gone over very thoroughly and carefully so many times. We might just let that section stand and get an opinion from Justice on it.

Mr. HANSELL: Would you just give us a little more information about the umpire there?

The CHAIRMAN: I think that comes in under section 52, does it not?

Mr. HODGSON: Yes.

The CHAIRMAN: The duties are defined there. Well then, it is understood that section 48 will stand with the suggestion that it may be of advantage to have the word "respectively" after the word "him" in the third line thereof.

Section 49 agreed to.

Section 50 agreed to.

Section 51 agreed to.

On section 52, subsection 1.

Mr. GRAYDON: On subsection 1 in section 52, I do not quite recollect how many regional offices it is proposed to have set up in Canada to administer this Act. Could we have a little information on that?

Mr. BROWN: We had an explanation of that based on the discussion which took place before the committee that we had working on the subject and the feeling of that committee was that it might be desirable, for instance, to get away from provincial boundaries and treat the lower provinces and perhaps the lower part of the province of Quebec as one region; and then, the province of Ontario and the more industrialized section of Quebec would be another, and then your prairie provinces and British Columbia would be separate.

Mr. GRAYDON: How many offices would that take?

Mr. BROWN: That would take four regional offices. Of course that would not affect the number of local offices at all, these are simply regional offices that will break the country down into regional districts for certain definite purposes.

Mr. HANSELL: They are judges of the exchequer court?

Mr. BROWN: No. They are not up to that yet. These are regional offices.

Subsections 1 and 2 agreed to.

The CHAIRMAN: Then subsection 3. This is where you have your judges.

Mr. HANSELL: Yes.

Mr. ROEBUCK: Exchequer or supreme court?

Mr. JACKMAN: I suppose the Supreme Court of Ontario is what you would have for superior court.

The CHAIRMAN: That would be the superior court.

Mr. MACINNIS: You do not have them.

Mr. BROWN: I think the Judiciary Act sets out what are regarded as superior courts.

Mr. REID: How many judges are there in the exchequer court?

Mr. BROWN: Two at present.

Mr. McNIVEN: Such appointment will be part of the judges' official duties. He will not receive any extra remuneration.

Mr. HODGSON: There is no extra remuneration to these judges.

The CHAIRMAN: None was provided; that is true.

Mr. GRAYDON: What is the distinction between a chairman of the court and an umpire?

Mr. BROWN: The court of referees is a purely local body which will exist in different parts of the country. It is a voluntary matter from beginning to end. It will be made up of panels set up for that purpose locally. The referees will deal with disputes arising locally. If their decision is appealed, it would go to the umpire as in the old country, and the decisions of the umpire are coded over there and become a rule of law.

Mr. REID: Are there many in England?

Mr. BROWN: There are practically none in England, and it is doubtful if we shall need any here.

Mr. GRAYDON: The umpire is an inferior officer to the referee?

Mr. HODGSON: No; on the contrary.

Mr. GRAYDON: I mean superior to the referee?

Mr. HODGSON: Yes.

Mr. JACKMAN: Those referees are going to serve voluntarily?

Mr. BROWN: Purely voluntarily.

Mr. ROEBUCK: "The commission may, subject to the approval of the governor in council, pay such remuneration to the chairman and other members of the court of referees, and such travelling, subsistence and other allowances" and so on.

Mr. PICARD: Is there any clause that specifies the length of service of the judges, the referees and the umpires?

The CHAIRMAN: I imagine it would be during good conduct.

Mr. McNIVEN: During pleasure.

The CHAIRMAN: I would say that.

Mr. PICARD: I mean, could a change in government make a difference? Could a new government revoke appointments and put new ones in their place?

The CHAIRMAN: There is nothing precluding that. There is nothing stating any specified length of time.

Mr. MACINNIS: It would not be done where it is a judge.

Mr. HODGSON: The referees are appointed by the commission in any case.

Mr. ROEBUCK: On subsection 3, my friend has raised a real question. It says the governor in council may, from amongst the judges of the Exchequer Court of Canada and of the Superior Courts of the provinces of Canada, "appoint an umpire"—and so on. And being once appointed probably they function *ex officio*, and they are there for life. Some of our judges get very old in the superior court. Do you not think we had better add "may from time to time amongst the judges of the superior court" and so on "appoint an umpire" and so on?

Mr. MACINNIS: Is there an age limit for judges at the present time?

Mr. ROEBUCK: Not in the superior court; only in the county courts.
[Mr. F. C. S. Evans]

Mr. PICARD: The way the clause is at the moment, any government can change a man at will. Do you not think so?

Mr. STANGROOM: Would the words "time to time" add anything to it?

Mr. PICARD: "Time to time" would not prevent a new government from changing the appointment.

The CHAIRMAN: There is this difference, Mr. Roebuck. As you have quite correctly pointed out, in the superior court and in the Supreme Court of Ontario judges are appointed for life. I do not think it would be assumed that an appointment under sub-section 3 would necessarily be for life. I mean, there is a definite contract between the judge and the government at the time of his appointment. I do not think that would apply to umpires under this act.

Mr. GRAYDON: That would be my interpretation too, Mr. Chairman.

The CHAIRMAN: How do you feel about that, Mr. Roebuck?

Mr. ROEBUCK: I think once he is appointed he is going to be very hard to get rid of unless we make it clear.

Mr. BROWN: You could take care of that, if you see fit, by passing to line thirteen where you say "the governor in council may by regulation prescribe their jurisdiction," and adding "term of office."

The CHAIRMAN: I do not know whether that will fit in.

Mr. McNIVEN: There is a provision in the Farmers' Creditors Arrangement Act for appointment of judges. You might look at that act and see what language is used there.

The CHAIRMAN: I do not think it is a question of language. It is a question of the necessity of inter-lining.

Mr. GRAYDON: Perhaps it might stand.

The CHAIRMAN: All right. We are down to section 52, sub-section 2.

Mr. JACKMAN: Before we rise, I wonder if I might move a motion as follows: That Mr. Wolfenden, an actuary of the city of Toronto, be summoned to attend this committee on Wednesday, July 24, to give evidence respecting Bill No. 98. The reason I so move is that in the 1935 act, a bill was discussed and the measure enacted. Both Mr. Watson, who is an actuary whose report we have at hand, and Mr. Wolfenden reported on the actuarial soundness from the insurance point of view. At the present time we have Mr. Watson's report which was given out to all, a printed document, together with information in ten pages of foolscap, which explains, or shall I say contains his opinion on the actuarial soundness of the present bill. However, those ten pages are a good deal like the qualifying certificate of an auditor, they tell you what the basis of the acceptance of the soundness of the fund is. I feel that it would be very beneficial to the committee to have the benefit of Mr. Wolfenden's opinion.

Mr. MACINNIS: When are we to have him here? Is he in Toronto? If he is in Toronto how can you get him here to-morrow?

The CHAIRMAN: He is in the city. By the way, what shall we do about the time of starting to-morrow morning? There was some slight disagreement at our last meeting as to the hour at which we should meet. Has anyone any very pronounced views on the matter?

Mr. GRAYDON: Well, Mr. Chairman, I am worried about Mr. Reid's correspondence. I think we should meet not earlier than 11 o'clock.

The CHAIRMAN: Very well, we will meet at 11 o'clock to-morrow morning.

Mr. McNIVEN: What are we to take up in the morning?

Hon. Mr. MACKENZIE: We have four witnesses for to-morrow morning: The Canadian Bankers Association, The Canadian Life Insurance Association, The Canadian Automotive Association and the Canadian Garment Workers of Toronto.

The committee adjourned at 11.05 o'clock to meet Wednesday July 24 at 11 a.m.

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SESSION 1940

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

(BILL No. 98

Respecting

UNEMPLOYMENT INSURANCE

MINUTES OF PROCEEDINGS AND EVIDENCE

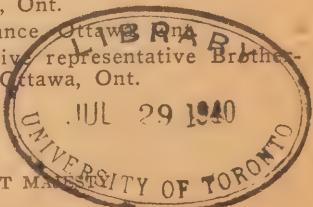
No. 3

WEDNESDAY, JULY 24, 1940

WITNESSES:

Mr. H. T. Jaffray, Toronto, President, Canadian Bankers Association.
Mr. V. R. Smith, Toronto, the Canadian Life Insurance Officers Ass'n.
Mr. Irving S. Fairty, K.C., Toronto, President of the Canadian Transit Association.
Mr. Arthur Vallée, K.C., Montreal, representing the Montreal Tramways.
Mr. W. B. Farris, K.C., representing the Logging Industry of British Columbia.
Mr. Alfred Charpentier, President, La Fédération des Travailleurs catholiques du Canada.
Mr. Hugh H. Wolfenden, F.I.A., F.A.S., F.S.S., Toronto, Ont.
Mr. A. D. Watson, F.I.A., F.A.S., Department of Insurance
Mr. William L. Best, Vice-President, National Legislative representative Brotherhood of Locomotive Firemen and Enginemen, Ottawa, Ont.

OTTAWA
J. O. PATENAUME, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY OF 1940



MINUTES OF PROCEEDINGS

WEDNESDAY, July 24, 1940.

The Special Committee on Bill 98 respecting Unemployment Insurance met this day at eleven o'clock a.m. The Chairman, Hon. N. A. McLarty, presided.

Members present: Messrs. Graydon, Hansell, Homuth, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators Murdock, Sauvé, Paquet, Hayden, Hugessen, Patterson, David, Harmer.

In attendance: Mr. Gerald H. Brown, Assistant Deputy Minister of Labour; Mr. Eric Stangroom and Mr. J. S. Hodgson, respectively Chief Clerk and Industrial Research Clerk of the Department of Labour, Ottawa, Ont.; Mr. A. A. Heaps, of the Unemployment Branch of the Labour Department, Ottawa; Mr. Tom Moore, President of the Trades and Labour Congress of Canada and Mr. Fred Molineux, General Organizer, Brotherhood of Painters, Decorators and Paperhangers of America, representing the Trades and Labour Congress of Canada; Mr. J. W. Buckley, Secretary-Treasurer of the Toronto Trade Council; Mr. Alfred Charpentier, President of La Fédération des Travailleurs catholiques du Canada; Mr. W. B. Farris, representing the Logging Industry of British Columbia; Mr. V. R. Smith, Chairman of the Social Insurance Committee of the Canadian Life Insurance Officers Association, Toronto, Ont.; Mr. Hugh H. Wolfenden, and the following delegations:—

Canadian Bankers Association.

Mr. H. T. Jaffray, Toronto, President,
Mr. G. W. Spinney, Montreal, Vice-President,
Mr. A. W. Rogers, Toronto, Secretary,
Mr. Vernon Knowles, Toronto, Public Relations Adviser,
Mr. S. M. Wedd, Toronto, of the Canadian Bank of Commerce,
Mr. L. W. Townsend, Montreal, of the Bank of Montreal.

Canadian Transit Association.

Mr. Irving S. Fairty, K.C., Toronto, President,
Mr. Arthur Vallée, K.C., Montreal, representing the Montreal Tramways,
Mr. G. S. Gray, Toronto, General Manager.

Railways of Canada Association.

Mr. I. C. Rand,
Mr. F. C. S. Evans,
Mr. S. Mills, of the legal Committee of the Association,
Mr. C. P. Riddell, General Secretary.

Hon. Ian Mackenzie, on behalf of the sub-committee on procedure, presented a report to the Committee, which was agreed to, as follows:—

The sub-committee recommend that the witnesses be heard in the following order this morning: First of all, the Canadian Bankers Association, Mr. Jaffray; the Canadian Life Insurance Officers Association, Mr. R. V. Smith; and then the Canadian Transit Association, Mr. Fairty.

Mr. Reid, of the Committee, read a telegram from Mr. George Pearson, Minister of Labour of British Columbia to the effect that B.C. Hospital Association desire to have their employees covered as fully as possible by the proposed legislation and consequently disagreeing with the attitude taken by the Canadian Hospital Council before the Committee on July 23rd.

The Chairman then invited the following officials to make their representations on behalf of their respective associations:—

Mr. H. T. Jaffray, on behalf of the Canadian Bankers' Association;
 Mr. V. R. Smith, on behalf of the Canadian Life Insurance Officers' Association;
 Mr. Irving S. Fairty, K.C., on behalf of the Canadian Transit Association;
 Mr. Arthur Vallée, K.C., on behalf of the Montreal Tramways;
 Mr. W. B. Farris, K.C., on behalf of the Logging Industry of British Columbia;
 Mr. Alfred Charpentier, on behalf of La Fédération des Travailleurs catholiques du Canada.

The Chairman offered the thanks of the Committee to the various witnesses as they retired.

Mr. Reid, a member of the Committee, read a telegram from Mr. George Pearson, Minister of Labour for British Columbia, containing certain representations to the Committee. The Chairman, Hon. N. A. McLarty also filed a telegram addressed to him from Mr. Pearson, to the same effect.

The Committee approved the following corrections to be made in the minutes of evidence on Monday, July 22, 1940:—

Page 12—In the 16th line from the foot of the page (By the Chairman) the word "understood" should be substituted to the word "insisted".

Page 15—In the last line of the table appearing at the top of the page, after the word "Average" "334 or 6/8" should be read as ".334 or 6/8" (Meaning six shilling and eight pence).

The foot notes to pp. 40, 42, 44, 46 should indicate Mr. J. S. Hodgson instead of Mr. Eric Stangroom.

At 1.00 p.m., the Committee adjourned to meet again at 4.00 p.m. to-day.

AFTERNOON SESSION

WEDNESDAY, July 24, 1940.

The Committee met again at 4.00 p.m. Hon. N. A. McLarty, the Chairman, presided.

Members present: Messrs. Chevrier, Graydon, Hansell, Homuth, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators Cairine Wilson, David.

In attendance: The four officials of the Department of Labour already mentioned; the four officials of the Railways of Canada Association already mentioned; Mr. Tom Moore; Mr. Molineux; Mr. William L. Best, Ottawa, Vice-President National Legislative representative Brotherhood of Locomotive Firemen and Enginemen; Mr. Hugh H. Wolfenden; Mr. A. D. Watson, Department of Insurance, Ottawa.

Mr. I. C. Rand, on behalf of the Railways of Canada Association presented certain amendments which were considered by the Committee.

On motion of Mr. Mackenzie it was unanimously *Resolved*:—

“That Section 14 of the Bill be amended by adding thereto:—

(2) Where it appears to the Commission that, by reason of any law of a foreign country, a duplication of unemployment insurance contributions by employers or employed persons or both and of unemployment insurance benefits will result, the Commission may, from time to time, notwithstanding anything in this Act, by regulation, conditionally or unconditionally, wholly or in part, provide for including any employed person or class or group of employed persons among the excepted employments in Part II of the First Schedule to this Act.

On motion of Mr. Mackenzie the Committee unanimously *Resolved*:

That Section 17 of the Bill be amended by adding thereto,

(5) The Commission may, notwithstanding anything herein contained, prescribe contribution rates for periods greater than a week on a basis substantially equivalent to the rates in the Second Schedule to this Act and by such regulation may determine the weekly or daily rates of contribution for the purposes of Part II of this Act.

On motion of Mr. MacInnis, the Committee unanimously *Resolved*:

That Section 99 of the Bill be amended to read:

99. The Governor in Council may, notwithstanding anything herein contained, enter into agreements with the Government of another country to establish reciprocal arrangements relating to unemployment insurance.

Mr. Rand presented a fourth amendment relating to Section 27 of the Bill. After a lengthy discussion the Committee decided to defer their decision and the amendment stood over for further consideration.

The Chairman then invited Mr. Hugh H. Wolfenden of Toronto. The witness presented his views respecting the actuarial basis of the Bill. He was followed by Mr. A. D. Watson, Actuarian of the Department of Insurance, Ottawa. Both witnesses were thanked by the Chairman for their contribution to the work of the Committee and they retired.

Mr. William L. Best, representing the Locomotive Firemen and Enginemen, was invited to address the Committee. The witness made certain suggestions which were discussed at length. At the conclusion of his evidence the witness was thanked by the Chairman and he retired.

At 6.15 p.m., the Committee adjourned to meet again at 8.30 p.m. this evening.

The Committee met again at 8.30 p.m., Hon. N. A. McLarty in the Chair.

Members present: Messrs Chevrier, Graydon, Jackman, MacInnis, Mackenzie (Vancouver Centre), McLarty, Picard, Pottier, Reid, Roebuck.

Members of the Senate in attendance: Honourable Senators, Hayden, Hugesen, Paterson, Webster.

In attendance: The four officials of the Department of Labour previously mentioned: Mr. A. D. Watson, Mr. Tom Moore, Mr. Melineux, Mr. Buckley.

The Committee proceeded immediately to the consideration of the Bill section by section.

The following sections were adopted unanimously:—

14 as amended, 17 as amended, 52 (3) and (4), 53 to 82 (both inclusive), 83 (1) (2) (3) (4) (5) (6) (7) (9) (10), 84 to 98 (both inclusive), 99 as amended, 100, 101.

On motion of Mr. Mackenzie (*Vancouver Centre*), the Committee unanimously *Resolved*:—

That Section 102 be amended by substituting for the word “fixed” in the seventh line the word “prescribed.”

On motion of Mr. Chevrier, Section 102 as amended was unanimously adopted.

First Schedule, Part I was adopted unanimously.

First Schedule, Part II was adopted unanimously with the exception of (i) and (m) which were stood over for further consideration.

Second Schedule was adopted unanimously.

On motion of Mr. Mackenzie, the Committee unanimously *Resolved*:

That Section 1 of the Third Schedule be amended by adding after the word “person” in the third line the words “while in employment.”

On motion of Mr. Roebuck, the Committee unanimously *Resolved*:

That Section 1 (iii) of the Third Schedule be amended by replacing the figure “15” in the second line by the figure “16.”

On motion of Mr. Mackenzie (*Vancouver Centre*), the Committee unanimously *Resolved*:—

That the words “OF BENEFIT” be added to the heading of the table appearing under section 3 of the Third Schedule.

On motion of Mr. Chevrier, the Committee unanimously adopted the Third Schedule as amended.

The Committee afterwards reconsidered certain amendments already adopted and the following amendments were proposed and adopted:

Section 33 (a)

On motion of Mr. Chevrier, the Committee unanimously *Resolved*:

That Section 33 (a) be amended by substituting the word “remuneration” for the word “wages” in the ninth line, and substituting the word “wages” for the word “remuneration” in the tenth line.

On motion of Mr. Mackenzie (*Vancouver Centre*), the Committee unanimously adopted Section 33 as amended.

Section 43 (g)

On motion of Mr. Mackenzie, the Committee unanimously *Resolved*:—

That Section 43 (g) be amended by adding the words “the number” after the word “half” in the thirty-second line and also by substituting the word “one” to the word “two” in the thirty-third line.

On motion of Mr. Chevrier, Section 43 as amended was adopted unanimously.

When considering Section 68, Mr. Roebuck suggested an alternative to the fine. By a show of hands of 3 to 4 the suggestion was negatived.

Mr. Graydon, a member of the Committee, asked that an explanation be recorded of his first question appearing at page 162 of the report of Tuesday, July 23rd. He said: "The question I really asked was whether or not an act or legislation of any foreign country should be referred to in specific terms". The Committee approved the correction.

On motion of Mr. Roebuck the Committee ordered that the Actuarial report on the Contributions required to provide the Unemployment Insurance Benefits within the Scheme of a Bill, being the Draft of an Act to be entitled "THE UNEMPLOYMENT INSURANCE ACT, 1940", by Mr. A. D. Watson, together with the addendum be published as an appendix to the Third report of the Committee, July 24th, 1940.

At 11.05 p.m., the Committee adjourned to meet again, "in camera" however, Thursday, July 25th, at 10.30 a.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

July 24, 1940.

The Special Committee on Bill 98 respecting Unemployment Insurance met at 11 a.m. The Chairman, the Hon. Mr. N. A. McLarty, presided.

The CHAIRMAN: I understand there is a quorum, gentlemen; shall we proceed? What is the order of business, Mr. Mackenzie?

Hon. Mr. MACKENZIE: The sub-committee recommend that the witnesses be heard in the following order this morning: First of all, the Canadian Bankers' Association, Mr. Jaffray; the Canadian Life Underwriters' Association, Mr. V. R. Smith; and then the Canadian Transit Association, Mr. Fairty.

Mr. REID: Before you begin proceedings, Mr. Chairman, might I be allowed to place a wire on the record which I received this morning, in view of the fact that the hospitals made representations to the committee yesterday. This is just a short wire from the Minister of Labour in British Columbia, Mr. George Pearson, and it reads as follows:—

Have been advised by the Secretary of the British Columbia Hospital Association that the Canadian Hospital Council is making a strong effort to have hospital employees excluded from the operation of the Unemployment Insurance Act. Stop. BC Hospital Association advises me that they desire to have hospital employees covered as fully as possible and consequently disagree with position taken by Canadian Hospital Council.

Mr. POTTIER: That is the association with respect to which a special reservation was made by Dr. Agnew when he was here yesterday, is it not?

The CHAIRMAN: Yes, it is. In conformity with the recommendation of our sub-committee we will hear the representations of the Canadian Bankers' Association first. Mr. Jaffray, would you be good enough to sit at this table directly in front of me for the convenience of the committee in hearing you?

Mr. H. T. JAFFRAY, President of the Canadian Bankers' Association, called:

By the Chairman:

Q. Are you the president of the Canadian Bankers' Association?—A. Yes, I am the president.

The CHAIRMAN: All right.

The WITNESS: Mr. Chairman and gentlemen: I want to present this brief on behalf of the chartered banks of Canada. I will read it, if I may.

1. There is no such thing as a pool of unemployed bankers. Each young man, when he enters a bank's services, receives a careful training over a period of 3 or 4 years, a virtual apprenticeship. During that period the bank endeavours to ascertain whether he has the qualities which will warrant the bank in continuing to employ him. If he lacks them he is told that he is more likely to make a success in another field. Abrupt dismissals are avoided, the bank bearing the expense of continuing the employment for a time in cases where discharges would be immediate in many other businesses or industries. When he is released he generally receives a gratuity which helps to maintain him until he finds another position.

2. If, on the other hand, the young banker shows promise, his more serious training commences and everything possible is done to develop his abilities. The bank must depend upon capable and efficient managers in its branches and these must be developed to the point where they can take charge; they cannot be hired in the ordinary labour market. The result is that when a man emerges from his apprenticeship and commences his career as a banker he may with reasonable certainty expect to continue with the bank until his retirement, usually at the age of 60 years or over. Few are released by the bank in the interim except for dishonesty, incapacity, or voluntary resignations where an individual has found a position in some other business more to his liking. There is, therefore, no group of temporarily unemployed bankers upon which the banks could or would draw, new employees being recruited almost entirely from young men emerging from the high schools and in some cases from the universities. Annual vacations are granted during which salaries are paid. In case of sickness salary continues unless the illness is protracted, in which event special leave of absence with remuneration is arranged. In extreme cases it is not unusual for banks to grant special gratuities to assist with expenses due to illness and further assistance is often extended in the form of loans on reasonable terms as to repayment and interest charges.

3. It is clear from the above that in the case of a bank employee who has passed the test not only is the fear of temporary unemployment greatly lessened but there is also little apprehension of loss of income through sickness.

4. In addition, the banks have set up their own systems of old age and disability pensions. The plans vary in detail in different banks but for the most part the employees contribute a stated percentage of their salaries and the bank contributes an equal or sometimes a greater amount. Generally speaking, therefore, every banker can anticipate, upon retirement in good standing after a certain term of service, a reasonable pension income and a proportionate pension in the event of disability before he is due for retirement. Nor is the pension confined to the employee; if he die leaving a widow, subject to certain stipulations as to their relative ages half of his pensions is paid to her while she remains unmarried and if she die her pension is continued to dependent children.

5. From the foregoing it is evident that the banks apply substantial portions of their revenues to remove from their employees the three great fears which constantly face the average worker

1. Unemployment while well
2. Unemployment through sickness or disability, and
3. A penniless old age.

The banks have therefore for many years voluntarily assumed for their staffs responsibility for their well-being, which the state has assumed or is considering assuming toward others by way of

1. Unemployment insurance
2. Sickness insurance and workmen's compensation, and
3. Old age pensions.

6. No plan of unemployment insurance should be formulated without regard to the fact that the proportion of persons released from employment to the total number employed varies greatly among different types of employment. If, therefore, the word "insurance" is to have any real meaning the cost to the persons who are to be brought under the plan should be directly related to the probable risk and length of unemployment in the particular industry or business in which they are engaged. It would be wholly inequitable, therefore, to set up a plan of unemployment insurance designed to include all employees in

certain wage or salary classes without regard to the facts of unemployment in the particular industry. The facts should be considered with care so that an undue and inequitable burden is not placed upon employers and employees in industries and businesses which carry on uniform operations the year round. The test provided in Schedule 1, Part II, paragraph (k) of the Bill for the exception of governmental and municipal employers and employees is that the Commission be satisfied "that the employment is, having regard to the normal practice of the employment, permanent in character".

We submit this applies with equal force to bank employees.

7. As a result of the policies outlined above the banks have followed the plan of maintaining at all times staffs sufficiently large to take care of peak demands, including the vacation season. Due to this policy the number released from employment is remarkably small, as the following figures show:

	1937	1938	1939
A. Full time employees receiving not over \$2,000 annually	19,646	19,868	20,156
B. No. of above released who might have been entitled to benefit under the Bill	166	329	270
C. Percentage	0.84%	1.65%	1.33%
D. Amount voluntarily paid by banks to Group B	\$61,997	\$87,521	\$57,368
E. Average payment	\$ 373	\$ 266	\$ 212

8. Assuming the provisions of the Bill to have been operative in 1939, these 20,156 bank employees would have contributed thereunder the total sum of \$278,049. The 270 persons released under circumstances which might have entitled them to benefits, assuming their contributions to have been fully paid for the preceding year, would have received for the maximum period of 10 4 weeks the sum of \$18,726 or an average of \$69.35 each. Bank employees alone would therefore have had to contribute in one year over 14 times the amount of benefits received from the Unemployment Insurance Fund by those of their number who had been released. This is a heavy burden to cast upon these bank employees in addition to the manifold increases in taxation due to the War.

9. In considering the foregoing figures it should be kept in mind that reference has only been made to the contributions which bank employees would have had to pay into the Fund. The banks would have had to pay the further substantial sum of \$276,439. It is therefore apparent that both the employees and the banks would have had to pay 29 times the 1939 benefits. On the other hand the banks voluntarily paid the released employees in 1939 a total of \$57,368, or 3 times the benefits payable under the Bill.

10. It is evident that bank employees as well as the banks, if forced to become contributors on the same basis as others in a general unemployment insurance plan, would have to pay amounts far higher than the insurance benefits which would be derived by such employees. In short, the proposed statutory plan, in so far as the bank employees and the banks are concerned, is nothing more than taxation.

SUBMISSIONS

A. The banks respectfully submit that instead of being included in a general plan of unemployment insurance they and their employees should be excepted because, having regard to the normal practice of the employment, it is permanent in character,

- (a) the volume of unemployment being so small that at no time does it present any problem which need involve the Government by way of expense or consideration of any kind, and
- (b) the relatively minor numbers of employees released per annum being voluntarily recompensed to a degree more substantial than that now contemplated. The existing method of voluntary payment by the banks would obviously be more satisfactory to bank employees.

As evidence that this situation has been recognized we would point out that in England the banks and insurance companies by reason of their low unemployment experience were exempted from the general scheme and permitted to set up special unemployment schemes of their own.

If, notwithstanding these representations, your Committee feels that the bank employees and the banks cannot be excepted or allowed to establish a special plan the banks respectfully submit that some fair and reasonable limit be placed on the contributions of their employees and themselves so these contributions will not constitute such excessive taxation as now appears to be the case. It is therefore suggested that when in any benefit year the payments to released bank employees prove to be less than one-third of the total contribution by the banks and their employees in that year the assessments in the next and succeeding years be reduced to produce in each such year a total contribution by the banks and their employees not exceeding three times the total benefits paid to such released bank employees from the Fund in the previous year. On this basis banks and bankers would still be paying 200 per cent more into the Fund than they would draw out in benefits.

By Hon. Mr. Mackenzie:

Q. Mr. Jaffray, when the 1935 bill was drafted were the bank employees exempted?—A. In the first draft, no.

By Mr. Graydon:

Q. Have you made any effort to ascertain what the feeling of the bank employees in the matter is?—A. Yes, in my own case I know that I have had my staff inspector feeling out all that he could get in touch with, and I think the other banks have done the same, and the statement in the brief here that the bank employees do not want to be included is, I think, very definitely correct.

Q. Is that fairly unanimous?—A. Yes, I would say it was 100 per cent unanimous.

By Mr. Pottier:

Q. You mention gratuities on the first page of your brief; "generally" is the expression used, "generally receives a gratuity which helps to maintain him until he finds another position." What is the general purpose of that gratuity? Is it to tide him over until he finds another position?—A. It is usually for a definite period. I am talking there of the young apprentice who is not going to measure up, you will notice, and after a year's trial we decide or perhaps he decides that he will never be a banker and we encourage him to go out and find another position and we will offer to keep him on for some months while he does so; or, if he wants to leave at once the usual thing is to give him three months' salary.

Q. That would average about how much?—A. Well, if you take the juniors who are getting \$500 or \$600 a year it would be a quarter of that amount. \$125 or \$150.

Q. Now, on page 6 you have a percentage figure; that is, in 1939, for example, you released 270. Those were for the most part I take it junior clerks?—A. No, not at all.

Q. Would those include the ones, for example, who married during their term of employment with the bank and on account of bank regulations would be let out; would those be included in that 270?—A. Oh, yes. That is, unless they were discharged for dishonesty.

Mr. POTTIER: Oh, yes.

Mr. GRAYDON: They would not be included in section (b).

[Mr. H. J. Jaffray.]

Mr. POTTIER: They would be in section (b).

Mr. GRAYDON: Not for misconduct.

The WITNESS: Those discharged for misconduct are definitely not included.

Mr. POTTIER: I am not suggesting that marriage is misconduct; I am not suggesting that at all.

The WITNESS: I am only referring to misconduct as dishonesty or drunkenness are the only two there are.

Mr. GRAYDON: I think my friend Mr. Pottier entirely misunderstood my remarks. What I understood from the submission here was that the figures indicated the ones who would be released who might have been entitled to benefits under the bill. That would immediately remove anyone who has been dismissed on account of misconduct, because they would not have come under the unemployment insurance benefits.

The WITNESS: They are not included in the 270.

Mr. GRAYDON: That is what I understood.

Mr. POTTIER: It is my understanding that every often a man working in a bank decides to get married but under bank regulations he is not permitted to do so because he has not served a sufficient length of time, and he is let out. I do not know the bank regulations. Would an individual in that class be included in your figure of 270?—A. I do not think that there are such individuals; certainly in my experience it has been very very seldom that I have heard of a man being let out for getting married.

Q. Is there not a bank regulation to that effect?—A. As to the bank regulation, I think it is general that a man shall not marry under a certain salary without obtaining the consent of his head office; and I think I am safe in saying that consent is never withheld except for good reasons.

By Mr. Graydon:

Q. Is it not also true that the banks sometimes take a bond from some relatives or friends to make up the difference between the low salary and what it is thought he should have?—A. Not a bond, but if a boy getting \$600 a year wanted to get married he would say to us, my father is willing to give me a letter that he will supplement my income by \$25 a month or something like that.

Q. That is what I meant.—A. I have seen that done.

By Mr. Jean:

Q. Are you making any deductions from the wages of your employees with respect to your retirement fund?—A. Oh yes, that varies. In some cases it is 6 per cent and in some cases 5 per cent of their salaries.

Q. How long do they have to work for the bank to get the benefit?—A. Until an age in some cases of 60, and in other cases of 62, 64, 65; provided the man remains in good health.

Q. You do not give him any benefit on a short term separation under that fund?—A. Oh, no.

Q. There is no unemployment benefit there?—A. No, that is why we call it a gratuity.

By Mr. Roebuck:

Q. You ask for a differentiation between your industry and other industries because your industry is more secure from the standpoint of employment. Don't you think you might go a little further than that and ask for consideration for the individual, because some individuals in the institution would be less likely to get fired than others? You ought to do pretty much as they do in

the insurance companies, where they have an age risk, a married risk; they consider condition of health, occupation and so on; that is all taken into consideration by the life insurance companies. If you want to be quite just in this thing don't you think the individual also should be considered and rated according to the actual risk that is run by the fund in his case?—A. Of course, you understand, Mr. Roebuck, at present they are not charged at all.

Q. But we are talking about a just system, and you advance the theory that it is not just because your industry is more secure than others. Would it not make it perfectly just, shouldn't you carry it to a logical conclusion and judge the individual on the chances of his being discharged under certain conditions?—A. I would think that, taking the bank employees as a whole, they would all be very willing indeed to pay equal rates to support their own group if they were charged at all, which they are not; and also knowing that as things are at present they get a good deal more than they would get under the Act.

Q. Surely the bankers of the dominion do not take the position of "me and my wife, John and his wife, us four and no more"? They do not restrict their desire for cooperation in the community to their own class?—A. I think that is met by the fact that we are voluntarily suggesting that we should pay into the fund three times as much as our employees get out of it.

Q. I grant you that. Is it not true that the banks occupy a rather favourable position in the commercial and industrial life of the community? I think you will admit that is a fact.

By Mr. Pottier:

Q. What happened during the depression years from 1930 to 1935 in your bank?—A. I think the banks would compare very favourably with the figures that I gave for the last three years. I do not think that in any case an employee was let out because there was no work for him. He was kept on even though the staffs were top heavy in many offices.

By Mr. Homuth:

Q. After all, was it not during the depression years that you did not take on more employees?—A. We did not take on as many juniors as in busy years, certainly not.

By Mr. Roebuck:

Q. In view of the fact you are ready to pay three times the amount of benefit, that shows that you do recognize the social obligation, that it is not a case of pure mathematics—so much paid in and so much taken out?—A. Oh, no.

Q. But your objection is only to the amount of the social obligation and not to the social obligation itself—purely a matter of amount. You are not objecting to the spirit or principle of the bill?—A. I think that puts it correctly.

By Mr. Jackman:

Q. It has already been pointed out that in these protected occupations where employment is steady the wages are low because of that fact, that there is little risk of unemployment; and this measure is in a sense a tax on them because they may not benefit, not being unemployed. I think consideration should be given to that aspect of the question.

Mr. HOMUTH: The very bill itself places that aspect before this committee, because we exempt from this Act civil servants since they themselves have a superannuation scheme; they are steadily employed. You bankers are in much the same position. The Act itself as drawn up carries out all of the suggestions made by Mr. Jaffray.

[Mr. H. T. Jaffray.]

Mr. REID: You have suggested that it is just as right to take in the civil service as the bankers.

Mr. ROEBUCK: We may take in the civil service.

Mr. HOMUTH: The bill does not do so, though.

Mr. GRAYDON: May I ask you this question—

Mr. HOMUTH: We may do so in the future.

The CHAIRMAN: Quite true. The commission has wide power to extend any class or to relieve any class from the obligation.

Mr. HOMUTH: Why should not we start out right at the beginning. If we are going to make these exceptions, here is a clear case where I say an exception should be considered.

The CHAIRMAN: Mr. Homuth, I do not think we have been discussing the policy that this committee is going to adopt when it goes into the consideration of the matter; we are here to hear the representations of those that wish to present them. I think it would be a mistake—

Mr. HOMUTH: Where do the employees of the Bank of Canada come in? They are bank employees; where do they come in?

The CHAIRMAN: Quite true. They would have a very definite diminution of their employees after the war, I should think.

Mr. HOMUTH: Where do the employees of the Ontario Savings Bank come in? Or would they come in under that?

The CHAIRMAN: Yes, they would.

Mr. HOMUTH: Or civil servants within the province?

The CHAIRMAN: I doubt if we class them as civil servants.

Mr. HOMUTH: They undoubtedly are civil servants within the province.

The CHAIRMAN: I think in fairness to the delegation we should consider all these matters, of course, and we will; but I doubt if now is the appropriate time to discuss them in this committee.

By Mr. Graydon:

Q. Do you regard employment in the banking institutions in a class by itself so far as security of employment through the years is considered?—A. I would not go quite that far. I think employment in the insurance companies is relatively permanent, though I doubt if they could quite measure up to the showing of the banks. But it is a matter of degree. It grades down. I put the banks in the top bracket, and then you start to go down.

Q. You would put the banks in the top bracket?—A. Yes, quite definitely.

By Hon. Mr. Mackenzie:

Q. In 1935 before the Senate committee the spokesmen for the Canadian Manufacturers Association recommended that banking and financial houses generally who were not then in the bill should be brought in?—A. I think the answer was obvious, Mr. Mackenzie.

Mr. HANSELL: May I ask whether, if this class were excepted, that would upset the actuarial calculations very much?

The CHAIRMAN: That is one matter on which we have to get a report, and my advice is that it would have an effect on the actuarial calculations.

Mr. POTTIER: It would have an effect of between \$400 and \$500.

The CHAIRMAN: Mr. Jaffray, and the gentlemen who are with you, we thank you very much for your brief but very able presentation.

Mr. ROEBUCK: A very capable presentation.

The WITNESS: Thank you, very much.

The CHAIRMAN: The Canadian Life Insurance officers desire to be heard and are represented by Mr. V. R. Smith.

V. R. SMITH, called.

The CHAIRMAN: Proceed, Mr. Smith.

The WITNESS: Mr. Chairman, and members of the committee, I have no prepared brief to lay before you, but I would like to make a few observations on behalf of the Canadian Life Insurance Officers' Association. This association represents practically every life insurance company doing business in Canada, whether Canadian, British or American. We have in force with our member companies practically 100 per cent of the business—we say 99 per cent—I think the precise figure is 99·8 per cent. We have precisely 4,000,000 policy holders and these are men of modest means because the average policy is only something like \$650. The true employers of the men employed in the insurance industry are these 4,000,000 policy owners, citizens of very modest means.

May I say, first of all, that the insurance companies in Canada have been very sympathetic to the principle of an Unemployment Insurance Act. Our interest in the bill is purely that we wish to see the very best bill possible made available to the people of Canada, and that the bill itself should be inaugurated in accord with sound actuarial principles and function along sound insurance lines. For many years our companies have felt that an Unemployment Insurance Act would one day be placed upon the statute books of the Dominion of Canada—whether it was done provincially or federally in those days, Mr. Roebuck, we did not decide. Nevertheless, we were so convinced of that fact that in 1930—that is ten years ago—the life insurance companies organized what they called a social insurance committee composed of a number of actuaries of the various companies for the purpose of studying and investigating the various unemployment acts that were in force throughout the world, and the various problems and proposals that were being presented throughout the world from time to time. Because our own actuaries were identified with our companies and most of them were very busy people, the social insurance committee obtained the consent of its parent body, the Life Officers Association, to engage an independent consulting actuary for the purpose of studying these bills and proposals whether they were in being or not. We were successful in obtaining the services of Mr. Wolfenden, then a young actuary, who then was showing his eminent attainments and his ability along actuarial lines; and that the choice was a good one is well proven by the fact that to-day Mr. Wolfenden is Vice-President of the Actuarial Association of America, an international body, and one of the two bodies on this continent to which all Canadian actuaries belong.

Mr. Wolfenden's retainer by the Life officers was a rather peculiar one. We asked him to study and investigate the various Acts that were in force and the proposals that were being made, and we said to him, "your opinions and your suggestions are your own; we do not wish to influence them; they must be your own independent ideas or they are no good to us." We merely asked him to study and investigate; and as a result of that opportunity which was given Mr. Wolfenden, Mr. Wolfenden to-day is one of the recognized experts in the world on the subject of social insurance. We merely gave him an opportunity to study this thing; he had the ability, and he started to make use of it.

The various studies that Mr. Wolfenden made were made available to the public of Canada through various publications of which this book on unemployment funds is one, and there were others—they were made available through the

[Mr. V. R. Smith.]

facilities of the Canadian Life Insurance Officers' Association from time to time. We have publicly made the announcement that our facilities, our knowledge and our experience are at the disposal of the government, whether federal or provincial. We have made this offer to the federal and provincial government, and I might mention that in 1932 the late Mr. Bradshaw, who was then the chairman of the social insurance committee, wrote to the then prime minister and made that offer, and again in 1937 the same offer was made to the present prime minister of the dominion.

One of the reasons why the 1935 Act carried the great confidence that it did was the fact that it was very thoroughly studied and reviewed, and there were made public two actuarial reports, one by Mr. Watson and one by Mr. Wolfenden, and those reports were so thoroughly done that they carried a wide distribution throughout the world and received many favourable comments not only in Canada but also abroad.

Accordingly, we come to you as life insurance men with the background of this period of study and with that experience and a training and a knowledge of the matter to say to you that we are particularly happy to find that the present bill contains many of the safeguards, or all the safeguards that were in the 1935 Act, and particularly the one which we regard as most important, an advisory committee with very wide powers, which, if you will recall, was introduced into the British measure after it fell down, for the sole purpose of keeping the measure on an even keel.

We regard that as so important, Mr. Chairman, as a safeguard that we hope there will be no weakening of the wide powers given that committee, and that in due course the government will appoint to the committee first-class men.

Now, we would like to suggest, Mr. Chairman, having expressed our pleasure of these safeguards, that we might be permitted to suggest some further safeguards. They really are of a like character, but they have a little different application. The point is not when the bill is passed; the point is when do the contributions begin. That is the important point. At the present time the date that the contributions begin is left to the discretion of the commission. We would like, Mr. Chairman and members of the committee, that the date should be the responsibility of the government and that the date be fixed upon by proclamation; and we would hope that before that proclamation is made that the machinery of the bill, such as the employment service and all the various other machinery that has to be set up—because it is a very complicated and complex question—will be thoroughly studied and thought through, and also that there will be some sort of inquiry, perhaps by the commission itself or some other way, whereby groups of employers and employees in an industry will be able to sit down with the commission and discuss their problems. Because there are many of them. I know from our own experience in the life insurance business, since you have brought under the Act or appear to have brought under the Act the men paid solely by commission, that there are very many problems involved in that particular matter which will be very difficult to work out; and I am quite sure that other industries are in a like position.

We, therefore, suggest in that connection that the government endeavour to borrow from the Treasury Department of Great Britain an actuary who is experienced with the administrative problem, and with the problems that have arisen as well as those that are presently arising under the British Act. I think that that could be done. There are some of those younger men who are particularly competent men.

In addition to that, we would like to urge that that man would probably only be borrowed for a limited period of time, say a few months. We would also urge that actuaries be made available to the government or to the commission or to the department—men who are well qualified and well experienced in

these matters—such men as Mr. Watson and Mr. Wolfenden—to be in constant consultation with the department and not merely to be called upon when the commission felt they had a question to ask. They should be available to initiate suggestions and suggest solutions of problems coming up.

The CHAIRMAN: I have come to the last point.

Mr. ROEBUCK: To what Watson are you referring?

The WITNESS: I refer to Mr. Watson the chief actuary of the Insurance department.

Mr. ROEBUCK: The Mr. Watson who has made a study of this bill?

The WITNESS: Yes, I think I have seen that report.

The final point is the point that there have, apparently, been some changes made in the 1935 bill for the present one. For instance, the period of contributions I think has been reduced from forty to thirty weeks. I think there has been a difference in the rates of contributions, and there is also the assumption which we regard as, perhaps, the most important thing of all—I think it is an apparent assumption, that is all we can say from our knowledge and the extent to which we can analyse the bill at the moment—that the rate of unemployment is being assumed at 12 per cent, the same as in the last bill. Now, I do not believe that anyone can assume that the 12 per cent which was assumed in 1935 is a proper assumption to make in 1940; and if that is the case then the point we urge is that before contributions are collected there shall be a thorough review by two men such as Mr. Watson and Mr. Wolfenden to make sure that this Act is getting off on the best foot possible, and that we do not have any breakdown such as occurred in England or has threatened to occur in the United States in the last year or so; but if we take advantage of the experience we have had and avoid such possibilities by proper planning and thinking, we shall give the bill the very best possible chance of success.

Accordingly, what we are saying to you Mr. Chairman, is that this measure will cost the people of Canada something like \$50,000,000 or more. It is well worth while spending a little more on getting experienced and capable men who know something about the difficulties and the complex nature of this bill to advise the committee before the commission actually begin to work.

Now, those are the general remarks I have been instructed to make. If I may be permitted to speak for a moment I should like to do a little bit of special pleading. Our remarks are somewhat along the lines of those of the Bankers' Association. We have a very light turn-over. Mr. Jaffray said he thought that in that respect they were in a better position, but I think we are in a better position, that ours is lighter than theirs. It is certainly less than 1 per cent among our clerical staffs. In addition, we have organized the business so that we do not have to consider seasonal employees, and we take care of our peak loads in our own way. We have taken care of the situation with machines and all other methods; we have set up unemployment funds or benefits or resignation benefits; we take care of our employees in sickness and disability; we pay them during the holidays; and I think anything we do will compare with modern schemes of social insurance in first-class corporations. In 1935 we submitted a brief to the then committee asking that the insurance industry should be exempted, and we suggested that if the committee wished to bring us within the bounds of an unemployment insurance measure that they give us the same opportunity that was originally given in England, whereby within a limited time we might set up our own unemployment fund and administer it. That is being done now in England. I think that was the original intention in 1935, because in the beginning we were omitted from the Act along with other financial institutions. The rate of unemployment with us is less than 1 per cent, and you have an assumption of 12 per cent. Unemployment rises as high as 30 per cent. That indicates that there

[Mr. V. R. Smith.]

is a very heavy taxation on those employees who contribute to the present plans of their companies and who come in through the insurance companies. We would like to suggest to you, Mr. Chairman,—I am saying this without trying to give any offence—that we be placed on the same basis as the civil service. If you leave the civil service out, leave us out on the same basis, and if you are going to bring us in bring the civil service in. Remember, Mr. Chairman, that to-day the civil service also are competitors with some of our people. I would suggest for your consideration the men you are paying substantial incomes to for selling annuities. I suggest also—I am not clear as to what is going to happen, but there should be a few thousand employees who will be employed by this commission—will they be brought under the Unemployment Insurance Act or will they be members of the civil service and be exempted? This is going to be an insurance corporation and I take it that it will also have the same steadiness of employment as we have. Why not extend to us the same privileges as you do to the employees of your own insurance corporation?

I say I am voicing these ideas on behalf of four million policy holders, men of modest means, who themselves are our employers and who will pay or contribute to the Act either as employees or as small employers. Thank you, Mr. Chairman.

The CHAIRMAN: In connection with your splendid presentation, you have expressed and quite correctly so, the vital necessity of keeping the Act actuarially sound and you suggest that we engage the services of some actuary who has had experience in the administrative end of such an Act. However, in connection with your last suggestion, proposing that we remove from this Act the sheltered wage earners so to speak—the good risks—do you not think it would have a very serious actuarial effect upon the whole Act?

The WITNESS: I think the answer is that the 12 per cent was a calculation made in 1935, excluding the employees of the financial institutions. In making that estimate of unemployment at that time the 12 per cent did not include the employees of the financial institutions, banks, insurance companies and loan and trust companies. So you are still proceeding on the basis that with an assumed rate that excluded these employees.

Mr. REID: I do not think you have been exactly fair in your criticism of the high-salaried men in the Annuities Department. I quite realize the feeling of the insurance companies against the dominion government being in the insurance business at all, but I know the branch officers who sell these annuities on commission, and the ones I know are not receiving as large an amount as your men receive. I think to be fair to them that statement should be placed on the record.

Mr. SMITH: I would be glad to take issue with you on that and to instances the information, because I think my figures are correct, and that a greater more of our men would welcome the change.

By Mr. Pottier:

Q. I understand that you approve the principle of third and hearing from

Q. And that your remarks only deal with suggested sheltered industries
ing out possible improvements?—A. Yes. sheltered industry, whereas

Q. The first suggestion you made, as I remember, in the same boat as the Council should proclaim the date of the Act, namely, however, that it has been A. The committee.

Q. I am not clear on that.—A. It seems to me, during a time of stress and trial. Act. I think therefore that since we are pleading top dog in our various collected this very careful investigation and analysis. The automobile came upon us next few months to be quite sure that all machinery that is strictly competitive.

Furthermore, the competition is not even based upon any commonsense or economic basis. If people want to ride in their automobiles they are going to ride in them and we can do nothing about it.

From our own standpoint, we have had a period of transition. As I pointed out, our name has been changed. Twenty-five years ago nobody had heard of anything furnishing local transportation other than a street car. Now we have the bus and the trolley bus, and it is pretty obvious to everybody now that the trolley, the old-fashioned trolley, plays little part in cities of under 100,000 of a population. Even in the larger cities the bus is going to play an increasingly large part.

It is all very well to say to the company, "Scrap your old equipment," but if it is not amortized there are some difficulties about doing that.

Then there is the further feature, and I am speaking of twenty-five years ago, that at the outbreak of war in one city the wages paid were 27½ cents an hour, and in three years they were up to 60 cents. But the fares remained the same, and the fares have not gone up at all proportionately with the other costs, such as wages.

But I do not think you have heard our industry come whining anywhere about this situation. We have not asked for public subventions, and we have not made any attempt to have our competitor, the automobile, interfered with in any way. And we are not doing it to-day. We are only pointing these things out and pointing out the troubles we have had. I think you will also agree that from coast to coast our Canadian transit companies and their general managers have made a number of honest attempts to cope with the situations that confronted them.

So I say at the present time we are an industry that is performing an important public service which needs all the financial support in that regard which it can have.

Now we find ourselves under the provisions of this Unemployment Insurance Act. I cannot imagine that anybody could possibly quarrel with any principle that lies behind this Act. It is certainly too late in the day to do anything of that sort anyway, but we question if it is necessary to lay this burden upon this already heavily burdened industry, and I want to call the committee's attention to just three matters in that regard.

Unemployment in the case of this public utility is so rare as to be practically non-existent. There are no seasonal lay-offs, except in the case of our way department where we take a gang on for one job. They know they are only on a temporary job and they are laid off as soon as that job is finished. They are not regular employees.

The CHAIRMAN: From the evidence we heard this morning we are wondering why there should be any unemployment in this country.

Mr. FAIRTY: I think you are getting the cream of the situation, Mr. Chairman.

In addition, there are practically no fluctuations in employment. The employment is stable and continuous, compared with other industry. I think it is fair to say that practically anyone of our members could certify, to use the wording of the draft Act "that the employment is, having regard to the normal practice of the employment, permanent in character." I would point this out, that the burdens laid upon this industry by the Act are proportionately heavier than those laid upon other industries. Roughly 50 per cent of their gross revenue is in the form of wages, which is a substantially higher figure than the figure for the average industry. Therefore, we are not only being asked to pay more than other industries, but we have not the same needs in this case as other industries.

Finally, I make this observation. Theoretically, there are substantial differences in the ownership and operation of our various member utilities in Canada. Practically, these differences have become relatively unimportant. Some of our utilities are publicly owned and directly operated by a municipality; some are managed by a commission appointed by such municipalities; some are completely regulated and practically managed by provincial commissions and others are so regulated by drastic franchise agreement that the real management rests with the public.

Under these circumstances, we think it is not unfair if clause K (ii) of this draft Act were enlarged to include every local transit utility in Canada which is able to satisfy the commission that the requirements of the section have been met.

Thank you, Mr. Chairman.

The CHAIRMAN: Does Mr. Vallee wish to say anything?

Mr. ARTHUR VALLEE, K.C., called.

Mr. VALLEE: Mr. Chairman, I am acting for the Montreal Tramways Company. I really do not see that I can add anything to what has been said by the general counsel for the Canadian Transit Association. If you will allow me I will attempt to prepare a memorandum of statistics and figures concerning more particularly the Montreal Tramways Company.

By Mr. Jean:

Q. When can you do that?—A. To-morrow.

The CHAIRMAN: Do you wish to make any representations, Mr. Gray?

Mr. G. S. GRAY: I have nothing to add to Mr. Fairty's remarks.

By Mr. Pottier:

Q. Mr. Fairty, I understand your industry has been having rather a difficult and strenuous time?—A. A strenuous time.

Q. In the last ten or fifteen years has the number of employees in your industry gone down?—A. I think it is fair to say practically only through death and resignations and that sort of thing. There have been no dismissals on that account.

Q. And they would not be replaced?—A. There have not been replacements.

Q. What I had in mind was where a whole branch might be given up or a whole system given up. On that account you would have unemployment?—A. No, no; I would say definitely not. I do not know of a single case in Canada where that has happened. The street railways have not been given up; the buses have been invariably substituted. I do not know any case in Canada where anything but an interurban line has been actually given up completely.

By Mr. Roebuck:

Q. What about the Toronto-Guelph line, for instance?—A. That is an interurban line.

Q. Are you not representing them?—A. We are not representing the interurban lines.

By Mr. MacInnis:

Q. Generally speaking, where one form of transportation has been given up it has been replaced by another; is that not so?—A. Yes. For example, take London, Ontario. London is completely abandoning its street railway and putting in buses. But the same condition is entering into the new franchise giving the new service.

By Mr. Roebuck:

Q. If we exempted the members of your organization who are evidently confined to the towns and cities, would we not also have to exempt the inter-urban lines?—A. I think the inter-urban lines, with due respect, fall into a different category.

By Mr. Pottier:

Q. But they are having hard times?—A. No, they are not; the inter-urban lines are doing remarkably well. But I do not speak for the inter-urban lines here this morning.

Q. You are not speaking for them?—A. No.

By Hon. Mr. David:

Q. Have you an age limit for your employees?—A. We represent more than thirty companies, and I imagine they all have their own rules and regulations.

Q. But in a general way those who are working for those companies have a retiring age, have they not?—A. The Montreal Tramways have had for a number of years a pension system, and I believe they retire at sixty. The Toronto Transportation Commission has recently put a pension system in and the compulsory retirement age is seventy and the voluntary retirement age is sixty-five. Other companies have varying plans.

By Hon. Mr. Hayden:

Q. Is there any superannuation?—A. That is pension.

Q. Would it be a percentage of their wages?—A. Once more, it varies with the company. In Toronto it is three per cent, and the commission contributes at least that much more.

By Hon. Mr. David:

Q. So at sixty years of age your employee is unemployed?—A. In Montreal they have done so.

Q. He is unemployable at sixty years of age?—A. He is allowed to work if he wants to.

Q. But he is unemployable?—A. Not precisely, because many of the men rather like to work until they are sixty-five.

Q. They can do so?—A. Yes. They can ask for their pension at sixty, but they rather like to take it at sixty-five.

As a matter of fact, I have a few figures here. Out of a total of 2,230 employees in 1939 only 26 resigned. That is about 1.11 per cent. Six only were discharged during the year, and 44 were pensioned. We have 428 members on that pension fund; 113 on the permanent disability pension fund and 315 on the old age pension fund.

Q. It is a contributory pension?—A. They contribute a few dollars per month.

Q. What is the average of the pension at sixty-five?—A. \$50.00 a month.

Mr. FAIRTY: Mr. Chairman, I have been twenty-five years with this industry and I have some personal knowledge of it. I would rather repudiate the suggestion that any man reaching the age of sixty has become unemployable. I think some of the very best men we have in our company are between the ages of sixty and seventy.

By Mr. Homuth:

Q. Mr. Fairty, where you changed from electric lines to bus lines—take the city of London as an example—you replaced some employees but many of those who drove cars became unemployed because they were not keen on

[Mr. Irving S. Fairty, K.C.]

driving buses; is that not true?—A. I imagine that may be to a certain extent true. Some older men would not like to change over and possibly could not change over.

Q. So that while the number of employees may not vary the men who are employed might vary considerably as these changes occurred?—A. I think that is a fair observation.

By Mr. Pottier:

Q. Besides, you are representing an association which maintained these electric railways and brought in buses to supplement them. You were running railways before. There are in Canada a number of electric railways and the employees of these electric railways would not be a part of your association at all; is that right?—A. No, I do not think there is one. I am sure there is not an electric railway that is not part of our association.

By Mr. Roebuck:

Q. Not the inter-urban lines?—A. There is practically no inter-urban railway left in Canada, as far as I know.

By Mr. Pottier:

Q. Then those employees that were with the inter-urban railways are out of employment today or else they have had to go into some other line because their systems have been given up?—A. In the past that may have been so; I do not know to what extent. But that is a story ten years old. Once again I must say that I do not represent those companies; I represent only the local companies.

By Mr. Roebuck:

Q. Is the Windsor-Sandwich line in your organization?—A. Yes.

Q. Is it still running?—A. It is running buses.

The CHAIRMAN: It has transferred to buses.

By Mr. Roebuck:

Q. Is the Guelph line in your association?—A. Yes.

Q. That, I think, is doing well?—A. Hamilton has always done well.

Mr. GRAY: Our association represents at least 90 per cent of the street railway business in Canada and the local transportation business in Canada. That is comprehensive of the whole country from coast to coast.

If I may answer your question, Mr. Roebuck, you brought out the point of inter-urban lines. As a matter of fact, there are only three inter-urban lines in Canada left—electric railways: One in British Columbia, one in Ontario and one in Quebec. But the change over from inter-urban lines to buses, that is, electric lines to buses, has been so gradual, and the old company in a great number of cases; operated the electric line.

Mr. REID: That is the case in British Columbia?

Mr. GRAY: That is the case in British Columbia. That is what is happening right now in the Niagara peninsula. That is what happened in Windsor.

Mr. ROEBUCK: The Niagara peninsula carries freight.

Mr. GRAY: A great number of the inter-urban lines carry freight; practically all of them.

Mr. HOMUTH: The passenger business on the electric line running through our country is only complementary to the freight business.

Mr. GRAY: Very likely.

The CHAIRMAN: Thank you, gentlemen.

Is there anyone here representing the Canadian Garment Workers Association? If not, I believe Mr. Farris of Vancouver wishes to make some representations about the logging industry of British Columbia.

Mr. W. B. FARRIS, K.C., Representing British Columbia sawmill and logging interests, called:

The WITNESS: Mr. Chairman: I did not intend to address your committee, but there have been observations in the Vancouver papers we have received that Mr. Pattulo, our Premier, has addressed certain statements to yourself and to the British Columbia members representing that the lumbering industry of British Columbia should be included under this Act.

Now, I might just say to you that our lumbering industry is made up of two parts, the sawmilling part and logging. I happen to be counsel for the British Columbia Lumber and Shingle Manufacturers' Association, which I may say manufacture about 60 per cent of the lumber; and also I am counsel for the British Columbia Loggers' Association, which produce about 70 per cent of the lumber. I am also authorized to speak on behalf of the other sawmill association known as the Western Lumbering Association. These two associations produce 95 per cent of the manufactured lumber in British Columbia; and the leading members of these associations are members of the Loggers' Association. In other words, in British Columbia logging and sawmilling form our lumbering industry.

And now, under your Act as drawn up, the leading sawmills of British Columbia are brought under the Act because they run reasonably continuously; and I am very glad to say this for our western sawmilling and lumbering industry, that we fully recognize the principle of unemployment insurance. I might say for our lumbering industry in British Columbia that I think we have been at all times very very active in regard to our relationship with labour. British Columbia brought the eight hour day into effect, the lumbering industry was the first to adopt it. We were also active with the government, and I think we were very helpful in bringing about the Minimum Wage Act; and I may say that we are paying 30 per cent more than the minimum wage in British Columbia. So, I say that as far as we are concerned we endorse the Act as drawn 100 per cent. I think that possibly the best argument that I could make on behalf of the British Columbia lumbermen is to say that we adopt the argument made by Mr. Moore, representing the Lumbermen's Association. We realize that Acts of this kind cannot be perfectly drawn, that there are bound to be difficulties; but as he has included the loggers, asking that they be brought under the Act, I understand—I have not seen the telegrams, I do not know on what ground that was being advanced by Mr. Pattulo in his suggestion that the loggers should be included, but I understand his grounds are that it is not a seasonal employment—I want to point out to you that that is a very wrong conception entirely of present conditions in British Columbia. That might have been true at one time, but as the time has gone along the available timber close to the water has been cut away with the result that we are having now to go back into the higher altitudes with the result that the average logging operation is closed in winter from December until March or May owing to snow, and in summer they are generally closed from June for about two months owing to the fire hazard. I think that the figure given to me by the secretary of the Loggers' Association is that the average logger is employed about 5·2 months per year.

I may also say that that logging group are a very transient number of employees. For instance, take our particular association which represents 70 per cent, as I said, of the log production in British Columbia. At the peak period last year there would be jobs for approximately 7,000 yet the placements for that 7,000 exceeded 12,000. In other words they are moving back and forth all the time. It is almost like being on a street car, they are getting on one place and off the next. And I might say that I happen to be director of the Union Steamship Company, the company which has practically all the ships doing to a large extent the transportation business on the west coast of British

Columbia going from point to point; and we do a very large passenger business, and I have had an opportunity of watching, which I do every month, the list of passengers, and nearly that whole passenger list is made up of loggers going to and from these camps.

If this committee should include the loggers they are coming up against a very very difficult task. I think that the administrative costs with respect to the loggers would probably exceed their contributions. I think the department realize the very great difficulties from an administrative standpoint which would be involved. If we could stabilize our logging industry, and have the men keep stable by an insurance scheme of this kind, we would welcome it. We see the impossibility, however, at the present time of this being carried out and what we do suggest to you is this: That you are taking a very great step; we are brought in under the Act now; but you should very very carefully investigate the British Columbia logging situation because I might say to you that many logging concerns in British Columbia are more or less transient concerns and that has caused a very considerable loss to the government of British Columbia in respect to their collections in connection with workmen's compensation. The unpaid dues by many of these companies has reached into the thousands, even into the hundreds of thousands of dollars; and I suggest that that may very well affect the actuarial soundness of this Act.

I say that you are proceeding in a way that we can endorse and we would suggest that no last minute changes should be brought into effect. I regret exceedingly that I do not know the argument nor the figures which I noticed in the press reports from our province which I saw since I arrived here. However, I want to say this, that our industry has worked in the closest co-operation with Mr. Pearson, the British Columbia Minister of Labour, and I can only say that I am sorry he is not here himself because I am sure he would admit the soundness of the point I have made.

Gentlemen, as I said, I had not intended formally to appear before this committee but I felt that it was my duty to place these facts before you, and I want to thank you very much for the opportunity of being heard.

By Mr. Pottier:

Q. You are against any extension of the Act to include the loggers and are satisfied with it the way it stands?—A. We are satisfied with it. I would, however, go this far; if after investigation it was found that it was practical or desirable to bring the loggers in under the provisions of the Act we would not be opposed to it.

The CHAIRMAN: That is, if the advisory committee investigated and made such a recommendation?

The WITNESS: Yes. We say it is too late in the day to do it now. You are dealing with a very dangerous thing. With all due regard to British Columbia, I think that if Mr. Pearson had been here we could probably have avoided any difficulty, particularly if Mr. Pearson understood that a large part of the lumbering industry, namely the sawmills, now come under the provisions of the Act.

By Mr. Reid:

Q. What would you say to the reports of the estimate of forest production, operations in the woods in Canada, 1938, which is a very authentic report—I do not think anyone would dispute the Bureau here. In that report it is stated:

"The result of the 1938 investigation showed that the marketing of a thousand cubic feet of standing timber involved an average capital investment of about \$70, an average expenditure of \$12 on materials and supplies, an average employment of 8 man days of labour and an average

wage and salary distribution of \$28. Applying these figures to the total estimated cut of over 2,562 million cubic feet gives a total capital investment of about \$185 million, a total expenditure of about \$32 million on materials and a total payroll of \$74 million.

Operations in the woods are carried on more or less uniformly throughout the year in British Columbia and the average logging season is about 200 days. On account of the larger size of the material and the greater use of logging machinery the production per man per day is higher than elsewhere in Canada and averages about 225 cubic feet of standing timber. At this rate, the industry in this province would have given employment in 1938 to at least 13,298 individuals throughout the season.

The logging season elsewhere in Canada averages only about 100 days and the average production per man per day is about 82 cubic feet of standing timber. This would mean employment during the logging season for at least 250,524 individuals. The total for the country as a whole would be more than 263,822 persons employed during the logging seasons in the different districts where this work is carried on."

Now, this is an unbiased report put out by our department here at Ottawa and it is a report on the logging industry of British Columbia as compared with logging operations in eastern Canada. It says that the average logging season in British Columbia is about 200 days and the production per man per day is about 225 cubic feet as compared with an average season of about 100 days and an average production per man per day of about 82 cubic feet in eastern Canada. They also point out in this report that the operation is continuous throughout the year. What have you to say to that?—A. In the first place there are about 700 logging operations in the province of British Columbia. Many of those do not operate more than three months. I think that there are none of them that operate more than ten months; with the possible exception of Bledol, Stewart and Wilson on the Alberni canal. I think the majority do not operate more than seven months; and I have here with me the secretary of the British Columbia Loggers' Association who makes this his business. He tells me that the total average is 5.2 months. As I say, that has been the general impression, that logging operations in British Columbia are continuous and provide regular employment, but the facts are that at the present time as far as I know I think there is only one logging operation being carried on in British Columbia. They are all closed down at the present time on account of the fire hazard. I might also point out to you that not only is there the seasonal unemployment but there is the market question. Take, for instance, yellow cedar; there are about 3,000 men employed in the yellow cedar industry when that is being operated. Owing to the general conditions and lack of market, while there is a very large demand at the present time for fir and spruce, yellow cedar is not in demand and there has been no large operation of yellow cedar since I think early in May or the latter part of April, and it will probably not open up again until fall. There are 3,000 men employed in that industry alone, and that is in addition to the seasonal features of the occupation. I do think, with all due regard to the general report that may be file here, that the representations I have made are really presented on a very conservative basis.

Q. Before you go I would like to ask you this: You have referred to the submission made by the Minister of Labour for British Columbia. I have here quite a long telegram in which he deals with this whole situation.

The CHAIRMAN: Do you not think you had better read that telegram for the benefit of the committee, Mr. Reid?

[Mr. W. B. Farris, K.C.]

Mr. REID: I think it should be placed on the record. I will read it:

VICTORIA, B.C., July 20, 1940.

Have just received your air mail letter had hoped to get to Ottawa in time to be of some help in presenting British Columbia case for unemployment insurance but cannot get there in time to be of much use Stop I have to-day wired the Minister of Labour advising him of the wholehearted support of our Government to an unemployment insurance measure and urging that it be carried into operation without delay Stop Have pointed out to him that less than half the workers in British Columbia are included and have complained that several major industries are excluded notably lumbering and fishing Stop I see no reason why lumbering particularly should not be included as our records show that the variation in employment throughout the year even in the logging industry is not unreasonable and certainly in our opinion not enough to justify the exclusion of the industry Stop Have pointed out that the States of Oregon and Washington include the lumbering industry and have made provision of their acts for dealing with the problems arising out of the variation in employment Stop The method used for this purpose could very well be applied to other season industries such as fishing shipping and perhaps to some extent agriculture Stop I have urged the Minister that consideration be given to changes in the act which will make it possible for a much larger number of workers in British Columbia to benefit by it though we have no desire to delay the passing of this measure Stop Giving the information that you asked for number of employees in the logging industry thirteen thousand saw mills and other woodworking occupations twenty one thousand pulp and paper three thousand five hundred fruit and vegetable canneries four thousand fishermen fourteen thousand shore fisheries operations six thousand you ask for figures on seine boats which are included in above number of seine boat licences three hundred workers one thousand seven hundred and sixty two coast shipping including stevedoring seven thousand Stop Should you require any more information we shall be glad to give you whatever we have do not hesitate to wire.

My reason for tabling it now is that they favour the inclusion of loggers coming within the provisions of the bill.

The WITNESS: I say, in answer to that telegram I had not seen the figures. Mr. Pearson has included the lumbering industry as a whole. He apparently does not realize that the lumbering industry is largely being brought under this Act; which we are very glad to accept. Sawmills are a large part of our lumber industry and we are glad to accept that provision with respect to them and we welcome it. We would welcome it also for the logging industry if it were practical. I might say this to you in reference to these figures, that our sawmills operate practically continuously. Mr. Pearson has given certain figures that may have a bearing on this. I am going to give you some figures out of Mr. Pearson's annual report for 1938. I find there that he includes under the heading of lumbering both the sawmilling, the logging and the shingle business, all under one head; and he includes the number of men employed by months (this is for 1937) and in July there were 24,244; in February there were 12,820. And remember, gentlemen, that includes the sawmill figures where they are almost continuously employed. You will see the tremendous drop in the figures. I have here also the figures showing the ordinary employment. They are shown in this report published by the Department of Labour of British Columbia; and with the exception of the canning industry there is no practical general change in the labour situation. But as

to the logging situation, as I say, I am satisfied that Mr. Pearson—for whom I have the greatest respect—if he really understood the situation and the fact that lumbering was going into this scheme, and knew the real situation of our transient labour problems, would not have suggested that.

The CHAIRMAN: Thank you very much, Mr. Farris.

I wonder if it would be the wish of the committee that we read the wire Mr. Pearson sent to myself? Is it the wish of the committee that we place that on the record?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: That telegram reads as follows:—

I find it impossible to be in Ottawa by Tuesday so have decided not make the trip at the present time. Stop Our government whole-heartedly supports an unemployment insurance measure and believes that the federal government should carry it into operation at the very earliest possible moment. Stop Newspaper reports indicate that the present measure provides insurance for less than one half of the workers in British Columbia and excludes several of our major industries especially lumbering, fishing and agriculture. Stop Our government believes that an effort should be made to cover a large number of workers and cannot see any good reason why the lumber industry should be excluded as returns made to our department by all branches of the lumbering industry including logging show that there is not an unreasonable variation in employment throughout the year certainly in our opinion not large enough to justify the exclusion of this industry. Stop All branches of the lumbering industry are included in unemployment insurance measure in operation in states of Washington and Oregon and I find that they have employed a method of dealing with industry taking into consideration the variance in employment and also providing for exclusion under certain conditions and during certain periods which fully covers any objections that might be raised against the inclusion of the lumbering industry and which also makes it possible to include other seasonal industries which are not at present included in our act. Stop We feel that special provisions could be made for other industries in which there is a large variance in employment during the various seasons of the year. Stop While we realize that industries can be added by amendment to the act from year to year we feel that while the act will be extremely valuable as it is and fully supported in principle by us it does not provide for a large group of workers in industries in British Columbia which have a variance in numbers employed from season to season. Stop It must not be forgotten however that our real problem is in providing for those workers who are unemployed over fairly long periods due to the seasonal condition of the industry in which they work. Stop I hope you will find it possible to give consideration to these suggestions.

We have a letter from Mr. Charpentier, President of the Federation of Catholic Workers, who wishes to make some representations on behalf of his union.

Mr. ROEBUCK: Before Mr. Charpentier is heard; Mr. Fairty asked me to explain to the committee that he was not asking for the exclusion of the employees of the Grey Coach Lines.

The CHAIRMAN: That is a subsidiary of the Toronto Street Railway Company, isn't it?

Mr. ROEBUCK: Yes.

The CHAIRMAN: Thank you, Mr. Roebuck.

[Mr. W. B. Farris, K.C.]

Hon. Mr. DAVID: May I have your permission, Mr. Chairman, to make an observation?

The CHAIRMAN: Certainly, Senator.

Hon. Mr. DAVID: This, perhaps, is not so much a question as a general observation. Has there at any time been adduced, either in England or in Canada, any evidence as to what would be the effect on these transients of unemployment insurance and its relation to life insurance in the case of wage earners? The point that strikes me is that during the time of employment as an employable he will draw a certain amount for which at the most he will have paid in a year \$18.72.

The CHAIRMAN: How much is that, Senator David?

Hon. Mr. DAVID: \$18.72, if he is a wage earner making \$26 a week. Those are the figures which have been given to me. What strikes me is this: if the employee knows that when he is unemployed he will receive so much a month or so much a year, does that have the effect of leading him to believe that he does not need to insure himself for the protection of his family? Will it mean that he will neglect to carry life insurance with the result that when he dies his children and family may become a very heavy burden on society. Is there the possibility of placing something in the Act for a certain amount to go towards meeting the cost to the widow of the mourning and funeral, because very often upon the death of the wage earner there is not enough money in the family to buy a little plot in the cemetery.

Has there been any evidence adduced to the effect that these pensions or payments made to unemployed persons have acted as a deterrent as far as life insurance is concerned?

The CHAIRMAN: Senator, I think the only answer that I could give to that would be that I am advised the statement has been made by Sir William Beveridge, who is chairman of the unemployment advisory committee in Great Britain, that instead of discouraging the taking out of life insurance, by acquainting the employees with the insurance principle, it has actually increased the number of insurance policies in Great Britain.

Hon. Mr. DAVID: That would satisfy me.

The CHAIRMAN: Proceed, Mr. Charpentier.

Mr. JEAN: Perhaps Mr. Charpentier would prefer to make his presentation in French. It is your privilege, Mr. Charpentier.

The CHAIRMAN: Which ever language he would prefer to use, and perhaps Mr. Jean would translate it for us. Would you prefer to speak in French, Mr. Charpentier?

Mr. CHARPENTIER: Of course, it would be easier for me to speak in French.

The CHAIRMAN: You are speaking pretty good English now.

Mr. CHARPENTIER: I can state my views in English, and I will not be long.

Our Confederation of Catholic Workers in Canada, as you are aware, Mr. McLarty, has always endorsed unemployment insurance.

By the Chairman:

Q. What is your membership, Mr. Charpentier?—A. Around 50,000. We have always endorsed unemployment insurance legislation. We have done so for years.

We did not pronounce ourselves exactly in respect of the method of applying that legislation between the provinces, the federal government and the corporations or through the federal government itself. We left the constitutional point of view to the legislators themselves, and we were satisfied to accept the mode of application that would be agreed upon. Since there has been agreement

between the provinces and the federal government, we are satisfied. What we want, of course, is a national unemployment insurance scheme which will be applied nationally. We have always, of course, fostered the principle of compulsory tripartite contributions, and we take issue with the statement that was made in certain circles that the workers were opposed to compulsory contributions. We have always been in favour of that, because we want this legislation to be under the insurance business.

We should like to have the Act amended so that workers earning as much as \$2,500 a year will be included. It would bring in more employers to subscribe to the same insurance scheme and more employees.

Certain classes of workers, for instance, the longshoremen, were omitted from the legislation in 1935. Our members in that category wanted the confederation to ask the government to include them, at least, partially. We know that these longshoremen perform a seasonal occupation and every winter, of course, they are out of work. But they should be subscribers to the same insurance and be entitled to a part of their seasonal unemployed period and to withdraw certain benefits out of the fund.

There are other categories of workers in the same position.

We should like to see section 43 more clearly defined concerning disputes wherein the workers are deprived of withdrawing any benefits. There are different industrial disputes. There are industrial disputes that are not justified and there are other industrial disputes where it is well known that the workers are within their rights. There are disputes, of course, bringing workers out of work when they are not participating directly in the strike itself but who nevertheless are forced out of work. I think this is covered. They are not on strike willingly, and I think they do not lose anything. But there are different kinds of strikes, just ones and unjust ones. There should be a distinction, and those workers who go on strike in full compliance with the law of the country should not in any shape or form be deprived of their insurance benefits. It is not clear whether they would, according to the present definition of section 43.

We hope that as far as the indemnities are concerned the government has seen to it that the contributions to be made are high enough to meet the bill. We hope they have been placed upon a sound basis, upon the same legislation existing in other countries and have taken out the best of them.

We are very much pleased to learn from the bill that the worker who is able to prevent himself from being unemployed for a long period of time will in the long run withdraw higher benefits. If I am wrong in this I should like to be corrected. What we appreciate is this; that a worker is supposed to be entitled to so many weeks a year after the law is in force and so many contributions have been made. So long as he has paid 180 payments during one or two years he is entitled to so many benefits for every one of those payments. If he is able to remain in work for a long period of time those benefits to which he will be entitled for two years or one year will accumulate and he will be entitled to receive a higher indemnity when he is unemployed. That is a very fine feature of the law.

As far as the board of advisers is concerned, we have noticed that the government have provided for a representative of wage-earners' organizations as well as employers' organizations. We should think that every workers' organization which is considered a representative one by the government should be entitled to have representation on that body. The workers' representatives on that body should be as many as there are trade union organizations.

The suggestion has been advanced that other savings plans would be better for the workers than the present unemployment insurance bill. We are, of course, very much in favour of subscribing to savings certificates, but we know that that will last only a few years during the war. When the war is over those savings certificates will have served their purpose and the workers will be left with

nothing, if no other schemes have been devised to help them along. We know that after the war unemployment will reach the same high level that was reached during 1933 and 1934. We should have the means to avoid the misery that such a condition would bring about. What we want is a measure of real protection for those unemployed persons after the war.

While the government is enforcing the Unemployment Insurance Act we should like if they would compile statistics as to the cost of the application of that measure in each industry, in order to ascertain afterwards the best method of correcting the law so that each industry will be subject to certain rules and in order to alleviate other industries which are less responsible for unemployment.

What we expect from the law is that the government will find it necessary to establish minimum rates of wages in each industry for the whole nation. The bill which is before us will not have a very satisfactory application or be very beneficial to society at large unless a minimum rate of wages is fixed for each industry on a nation-wide scale. That will help to stabilize the contributions of wage-earners and employers alike.

In a nutshell, that is about all I wanted to say on behalf of the Confederation with respect to this legislation.

If I may, I should like to suggest that the government contemplate in the near future amending the law with respect to family allowances in the province of Quebec. You know that the province of Quebec is noted for its large families. The average size of family in the country is supposed to be five persons. In the province of Quebec, it is above that; it is at least six or seven persons. We are asking if it could be provided that a family allowance would be inserted in the bill in order to pay an allowance for each child above the average family in the country. Of course, it might require a higher contribution from the wage-earners concerned; we do not know. At any rate, it is a feature that might be studied and included in the law at some future time.

By Mr. Reid:

Q. Would it not work out about the same? Take the province of British Columbia; there the living costs are higher; the number in the family may be less than in the families in Quebec, but living costs are higher. Taking it all over the country it may work out very fairly, do you think so?—A. We would not object; absolutely not. Thank you, Mr. McLarty and hon. gentlemen for hearing me.

By Mr. Jean:

Q. When was your last congress?—A. Last September in Quebec.

Q. Was the question of unemployment insurance discussed?—A. It was discussed and we, of course, adopted the principle.

Q. Was there any divergence of opinion among the employees?—A. Among the members of our movement there was no dissension at all; the feeling was unanimous.

By Mr. McNiven:

Q. Does your organization extend across Canada?—A. We extend into Ontario; we have a few locals in Ottawa.

By Mr. Pottier:

Q. Did you hear Mr. Moore yesterday?—A. No, I was not here, sir.

The CHAIRMAN: Thank you very much, Mr. Charpentier.

Before we adjourn, is the committee willing to sit to-night. If it is possible, I think we should, judging from the amount of work to be done.

Some Hon. MEMBERS: Yes.

The CHAIRMAN: In that case, we shall adjourn until 4 o'clock when we shall hear Mr. Wolfenden.

Just before the committee rises I should like to make one little correction in the minutes of Monday. In a statement by myself on page 12 I am reported as having said:—

The CHAIRMAN: I think the explanation has been given. In connection with the National Employment Commission report I insisted at that time that they take it up with the provinces and the provinces were quite willing to allow the dominion to assume that obligation.

That is obviously a typographical error. I did not say any such thing. I was not then the Minister of Labour and they did it of their own volition and not by any suggestion or insistence by myself.

At 1 p.m. the committee adjourned to meet at 4 p.m.

AFTERNOON SESSION

The CHAIRMAN: Well, gentlemen, we have a quorum. Before we continue with the presentation by Mr. Wolfenden which has been arranged for today we have here again the representatives of the Railway Association, Mr. Rand and Mr. Evans, who were considering certain amendments that were gone into last night. I understand that a meeting was held this morning with the committee concerned and I believe they have agreed on the form which those amendments should take. You will find a copy of those amendments in front of you.

Mr. I. C. RAND, K.C., and Mr. F. C. EVANS, recalled:

Hon. Mr. MACKENZIE: I understand that these amendments have been agreed to by the officials of your department?

The CHAIRMAN: Yes, I do not think it will take us very long to deal with this matter. The representatives of the Railwaymen's Association went into it very fully last night and I think we were pretty well agreed as to what the substance of the amendment should be.

Mr. HOMUTH: Some years ago I understand some representations were made, some changes were made in the American Act so that with respect to railway employees operating into the United States certain deductions could be made in respect of their unemployment insurance measure.

Mr. EVANS: Yes.

Mr. HOMUTH: My understanding is that some representations were made to the American government a couple of years ago with respect to that matter.

Mr. EVANS: I think that had to do with the differentiation between operations in the States and in Canada. They had applied a formula and I think pretty largely the representations that we made were with regard to that formula.

Mr. HOMUTH: I just wanted to clear that up.

The CHAIRMAN: I understand that Justice has gone over these as well, and some very minor changes have been suggested. I wonder what they are.

Mr. HODGSON: Mr. Stangroom has a copy there.

The CHAIRMAN: On section 17, subsection (5): On the advice of Justice the change is after the word in the second line "prescribed contributions" they put "contribution rates"; and at the end, "in relation thereto" they put, "for the purposes of part II of this Act".

Mr. MACINNIS: What are the added words?

The CHAIRMAN: "For the purposes of part II of this Act".

[Mr. I. C. Rand, K.C.]

[Mr. F. C. Evans.]

Hon. Mr. MACKENZIE: And the words "in relation thereto" come out?

The CHAIRMAN: Yes, they come out.

By Mr. Reid:

Q. Might I ask, Mr. Rand, on section 14, subsection (2), do you call those two auxiliaries in the last line, "conditionally or unconditionally"; it says, "notwithstanding anything in this Act, by regulation, conditionally or unconditionally,"—

Mr. RAND: That "conditionally or unconditionally" will apply to the regulation which is made in relation to the exception to this clause. It is a clarification of the exception. It just gives a full liberty of action to the commission. They may except them for certain periods of time.

Mr. EVANS: That is exactly the same wording as appears in section 14, sub-section (1) only it deals with another class of cases.

Mr. RAND: Just at the end of page 4 the same wording is used, "the commission may, by regulation, conditionally or unconditionally provide for including"—and so on. It gives freedom of action to the commission.

Hon. Mr. MACKENZIE: I would move the adoption of the section as amended. Section 14, sub-section (2) as amended, agreed to.

The CHAIRMAN: On section 17, subsection (5):

Mr. ROEBUCK: To go back for a moment to that section 14, subsection (2). I wonder how an individual could be included "conditionally or unconditionally, wholly or in part," any employed person.

Mr. RAND: Wholly or in part, in relation to whole or part employment. He might have part employment in Canada and part in the United States and an adjustment of one or other or of both might be included in the action of the commission. That is all it is, just another means of having the power in the commission unrestricted so as to bring about what is intended.

Mr. ROEBUCK: I guess it will be understood all right.

The CHAIRMAN: Is that amendment agreed to?

Some Hon. MEMBERS: Agreed.

Section 17, subsection (5).

Mr. MACINNIS: I wonder if we could have that read as finally amended?

The CHAIRMAN: Yes.

"The Commission may, notwithstanding anything herein contained, prescribe contribution rates for periods greater than a week on a basis substantially equivalent to the rates in the second schedule to this Act and by such regulation may determine the weekly or daily rates of contribution for the purposes of part II of this Act."

Hon. Mr. MACKENZIE: I would move the adoption of that section as amended.

Section as amended agreed to.

On section 27, subsection (2):

The section reads:—

Benefits hereunder shall, during any benefit period, be reduced by the amount of any adjustment allowance payable in respect of that period to the insured person under the Canadian National-Canadian Pacific Act, 1939.

Mr. POTTIER: Is it not the rule that where you mention the Act you do not mention the amendment? Supposing this Act were amended at a later date, do you not think this section should carry the provision, "in amendment thereto"?

Mr. RAND: I would say that any reference to the Act would take in all of the amendments to that Act from time to time; a statute speaks from day to day.

Mr. POTTIER: Is it not a rule of law that you just refer to the Act in a case like this and not the amendment; that it will only affect the Act itself, that the amendments would come in.

Hon. Mr. MACKENZIE: You could not anticipate amendments to the Act.

Mr. RAND: I think it would be considered the rule that a statute is deemed to be always speaking. Then where it speaks of this Act, if this Act has been changed in the meantime it will include the amendments; it is the present speaking of this Act. It would be so absurd to have to add the words, "and all amendments hereafter."

Mr. POTTIER: You have to in your court pleadings.

The CHAIRMAN: Any amendments that may be made hereafter—

Mr. HOMUTH: I think what he refers to is the Canadian National-Canadian Pacific Act, 1939.

The CHAIRMAN: There have been no amendments to the Canadian National-Canadian Pacific Act. What Mr. Pottier means are any mendments to that act that may be made hereafter.

Mr. POTTIER: I am afraid I have not made myself clear.

Mr. RAND: It may be in relation to pleadings that there is some such rule, but where we have the rule of the interpretation of statutes a statute shall always be deemed to be presently speaking; then, obviously, if the statute is amended that amendment becomes part of the statute and when anybody referring to the statute deals with it he deals with it as it speaks at that moment.

Mr. POTTIER: Supposing the principles in the 1939 Act were changed in 1942, I am wondering if this statute only makes it effective for the present provisions.

Mr. RAND: It seems to me that we have this present statute which would speak, but the other statute would speak also as of that date. I have not considered that.

Mr. POTTIER: I am not sure. You are satisfied with it anyway.

Mr. RAND: This has passed Justice.

Mr. ROEBUCK: I do not think you justified why you should have that clause at all.

Mr. RAND: I beg your pardon?

Mr. ROEBUCK: We argued this thing, if you remember, last night, and I do not think you have justified why this should be passed at all.

Mr. RAND: Only in this way, Mr. Roebuck, that the Act of 1939 was a partial unemployment Act; that is really the effect of it. Now then you are coming in with a general unemployment act, and surely the two should be integrated because the benefits of the general Act are to be secured to every employee, but no more than that, the railway employee is not going to be given a preferred position.

Mr. ROEBUCK: How has he been given a preferred position?

Mr. RAND: At the present time—

Mr. ROEBUCK: You have a man employed and you let the man out through no fault on his part, but because of convenience, a planned convenience, and you discharge him; and because you thought you had played him a rather undesirable "trick," shall I say, you hand him some money.

Mr. RAND: I do not think you should say that at all. There is no question of a trick.

[Mr. I. C. Rand, K.C.]

Mr. ROEBUCK: You have treated him none too well, so you give him—your policy is—

Mr. EVANS: No, no, it is the policy of parliament, not our policy.

Mr. ROEBUCK: All right.

Mr. RAND: Go to parliament if you want to know the reason for this legislation. I am accepting the legislation. All I say is that parliament dealt with it in a partial way in 1939 and in 1940 it is dealing with it in a whole way.

Mr. ROEBUCK: I do not see its application at all.

Mr. RAND: This bill, the Unemployment Insurance Act, provides for benefits; it covers exactly the same subject matter, the employed person.

Mr. ROEBUCK: Any money that a man gets from a bank can be called unemployment insurance because it takes care of him while he is unemployed; but here you have men on the railroads who for reasons of the railroads or the country are let out and they were compensated, not so much by way of support until they got another job, they were compensated for the loss of the job in which they were trained.

Mr. RAND: No, that is not so, Mr. Roebuck, because if he returned that compensation stops. It is exactly that, it runs along with their unemployment.

Mr. ROEBUCK: Then they have not lost that job, and when they return that compensation—

Mr. RAND: When they are taken back into the railway service their compensation ends; therefore it is just about as clear a case of unemployment insurance as you can have.

Mr. ROEBUCK: Yes, but in this instance the men are paying, they are going to get what they pay for.

Mr. RAND: I admit that 1939 legislation was a partial thing, not only in its application but in its form.

Mr. ROEBUCK: Tell me, when a man gets a job on another road do the payments under this particular Act, the Canadian National-Canadian Pacific, 1939, cease?

Mr. RAND: It does not say that, and my suggestion is that the Act was not drawn up as thoroughly as the present Act.

By Mr. MacInnis:

Q. It is implied by the provisions in the Act that he must always be on call, and if he accepts other employment he is not on call.—A. He cannot prevent himself from that call or he is out of the provisions of the Act. He may take a temporary job from day to day so that at any time he may leave it and come back under the call.

Mr. ROEBUCK: Perhaps the question turns on that very point.

By Mr. Pottier:

Q. If he gets outside employment his pay continues?—A. No; there is nothing in the Act which says that if he gets outside employment this compensation is withdrawn. All I can say is that we have satisfied the labour officers that this is unemployment insurance.

By Mr. Roebuck:

Q. You will have to satisfy us on that. I think probably this problem turns on that point. If he gets other employment, are the benefits of the Canadian National-Canadian Pacific Act taken away from him?—A. I cannot say that there is any specific provision to the effect that if he takes any outside employment

it will affect those payments. But as Mr. MacInnis points out there are other provisions in the Act which show the nature of these payments, and one of them is that constantly he must maintain himself to come back to the services if he is required. That is the power of the railway to relieve itself of these payments.

Q. That is, if he takes other employment it must not be under a contract that he cannot break?—A. Yes.

Q. He can take it for a day or for a week?—A. I think so.

Q. With that provision in it that he can leave that employment whenever he likes and come back.—A. Probably.

Q. That is only a condition of the payment that was made him.—A. That, I think, is the situation.

Q. Then it is not unemployment insurance?—A. We may assert one thing or the other, but in my humble submission to this committee the context of that legislation, the nature of the payments, the circumstances under which the legislation was passed, make it impossible to say that on a fair and judicial interpretation of it it does not lie within unemployment insurance.

By Mr. Graydon:

Q. One of the disqualifications so far as the benefits under this Act are concerned is that the person who claims benefits must be available to take another job if it is offered to him. What position would your employee be in under this particular matter?—A. He must qualify under this Act or the question does not arise. If he is out of employment this Act says he shall get unemployment insurance; and this Act provides that he will not get double.

By Mr. Homuth:

Q. Suppose he took another temporary job, even putting somebody else out of work?—A. Then he does not get it under this Act.

Q. But he does under your Act?—A. And I say that is a defect of last year's legislation.

Q. But if a man is dismissed or goes out and takes a job for wages, what about that?—A. He does not go out voluntarily, he is dismissed, and when he finds himself in the street this legislation says, "Here is your unemployment insurance." It also says, "If you come back to this employment your insurance ceases." It does not say specifically, "If you go to some other employment."

Q. And take another man's job?—A. No. It says, "At all times you must maintain yourself in a position to return to this employment and, when you do, this compensation ceases."

Q. A man might go into a cannning factory and take somebody else's job.—A. Those are conceivable, but, really, he is anxious to get back, I think, into his normal employment.

Q. There are two factors operating, one through earning wages and the other through being on call.—A. Let us assume that is the case; what relevancy has that to this question? What we say is we are not going to perpetuate that anomoly; we are trying to prevent it. We say that if he gets it under one he will not get it under the other.

By Mr. Roebuck:

Q. If so, he is getting one and now you are asking to bar it under the other?—A. No. Take the 80 per cent of the people who are going to come under this Act; will they ever enjoy their benefits? The most successful man under the Act is the man who does not receive one dollar of benefit because he is constantly employed.

[Mr. I. C. Rand, K.C.]

By Mr. Pottier:

Q. How many would be involved?—A. If there have been any persons laid off since this Act by reason of the co-operative agreement the number is very small.

Q. I understood it was just in the hundreds.—A. I cannot tell you that there has been one resulting from the co-operative movement. There are other actions by way of abandonment that the railway may take which do not come under this Act. If the Canadian Pacific or the Canadian National abandoned its own line without reference to the other railway, this compensation Act does not apply.

Q. Was the 1939 Act put into effect during the lifetime of the other Act?—A. Well, that Act of 1933 is in force placing upon the two railways the obligation to make co-operative agreements. The 1939 Act runs along with it.

By Mr. MacInnis:

Q. But its application to the workers is limited, or will be in time?—A. In time, yes. It is limited in amount of compensation. It has a maximum of five years, I think.

Q. Is this matter important? Is it likely that a person could come under both compensations at the same time?—A. It is conceivable.

Q. The circumstances are such as to make it very limited.—A. Then there is really not much involved in it.

Q. Then we need not bother with it.—A. It completes the legislation, and that is really what we are endeavouring to do, to give this legislation a sort of completeness, so far as it can in general terms be done.

By Mr. Pottier:

Q. You would not have 100 employees in two years coming under that?—A. I should say the probabilities are no, but nobody can give a definite statement on that.

Mr. EVANS: Oftentimes in rising employment there are actually no displacements. At the present time it is quite possible there might be extensive measures but no displacements.

By Mr. MacInnis:

Q. Could the commission make provision for a situation of this kind?—A. It may have been intended but I doubt under the strict language of section 26, or whatever section it is, they could meet it. But here we have one statute and another, and they both deal with the same subject matter and both apply to the same people. I think from an enactment standpoint it ought to be provided that they shall not overlap. That is the effect of the amendment.

The CHAIRMAN: Mr. Roebuck moves that the section stand for further consideration.

Mr. POTTIER: I second the motion.

The CHAIRMAN: I do feel that unless there is something more involved in the matter than appears on the surface it would not be entirely desirable to keep Mr. Rand and his associates here.

Mr. ROEBUCK: No. I think he has given us all the information he can, and I think it is now a matter for discussion among ourselves.

The CHAIRMAN: Is that the wish of the committee?

Mr. ROEBUCK: My friend says why not drop it and be done with it. I do not like that.

Mr. JACKMAN: It was considered worthy of being incorporated in the Canadian National-Canadian Pacific 1939 Act, and it is quite possible that in

the course of a few years they may have more pool trains and further savings in railway operations. And this may be a matter involving some thousands of people.

Mr. MACINNIS: Mr. Chairman, I suggest that the matter be referred to the persons who drafted the Act to look into this 1939 amendment to the Canadian National-Canadian Pacific Act and let us know before we finish what they think about it.

The CHAIRMAN: I think that has been pretty well done.

Mr. MACINNIS: Has that been done?

The CHAIRMAN: Yes.

Mr. MACINNIS: Are you in favour of these amendments?

Mr. HODGSON: We are satisfied.

Mr. REID: I think we are all agreed on the advisability of such a clause being put in the Act, but, speaking personally, I am not exactly clear in my own mind whether we are doing right to interfere with the payments which will accrue to a man under the unemployment insurance bill because he is receiving some moneys from another fund.

Mr. EVANS: You do that.

Mr. REID: I think it should be the other way around. I think our payments should remain.

Mr. EVANS: You do that already under the bill.

Mr. REID: I know, but if we adopt this—I may be wrong—it seems to me that we are saying to the man, "If you, under the Canadian National-Canadian Pacific Act, are receiving money, your payments will be much less or will be in accordance with what you receive from the other fund."

The CHAIRMAN: You would not be dropping any of his rights at all to qualify under this Act.

Mr. RAND: He may under that Act be receiving double what he would receive under this Act. This Act does not cut him down. It says he shall not receive under this Act, except by way of deducting from what you would pay him what he receives under the other. If he receives more under the other, then under this he will continue to receive more.

Mr. REID: It is that very principle that I am against. I would rather see an amendment to the other Act rather than see a change made in this Act to take care of the Canadian National-Canadian Pacific Act.

Mr. RAND: Would you repeal the other Act? Because that is the only way in which you can deal with it consistently. Perhaps you are ready to recommend that.

Mr. EVANS: I should like to draw to the attention of the members section 33 (a) which deals with an almost similar thing. Here is the case of an employee who has been under this Act and is not entitled to compensation under it if he is getting wages in the form of compensation.

Mr. ROEBUCK: Mr. Chairman, I moved a motion seconded by Mr. Pottier that the matter stand. We have a number of other clauses standing for further consideration.

The CHAIRMAN: I should like to get an expression of opinion from the committee regarding this matter. Will all those in favour of the motion please signify? Carried.

There is remaining the amendment to section 99—reciprocal arrangement. You will remember that we discussed this very fully last night. Is the amendment agreed to?

[Mr. I. C. Rand, K.C.]

Mr. ROEBUCK: Perhaps it should be plural in both places—"enter into agreements with the governments"—because there is more than one government in the United States involved in these matters.

Mr. BROWN: Not in connection with the federal railway unemployment insurance Act.

Mr. MACINNIS: I move concurrence in the amendment.

The CHAIRMAN: Agreed.

Now we shall hear Mr. Wolfenden.

Mr. H. H. WOLFENDEN, called.

The CHAIRMAN: I do not think Mr. Wolfenden needs any introduction to this committee; he enjoys a very wide reputation as an expert on unemployment insurance.

Mr. WOLFENDEN: May I say, sir, that I am appearing as an independent consulting actuary, as was explained here this morning; that I appear for no particular group but as an individual who happened to be one of the two actuaries who reported on and certified the legislation which was passed in 1935.

I should like to make that very clear on the record, sir, because in the course of my consulting practice I have occasion to be called upon to advise some governments, municipalities, corporations and mutual benefit societies, representing sometimes employees, sometimes employers, sometimes both.

I should be greatly indebted to this committee, sir, if it could secure for me one privilege.

In 1935 my report was printed as No. 158, by the King's Printer. The first edition was rushed through on an order of printing from the House, and was full of a large number of very serious misprints. I received the assurance from the King's Printer about four years ago that those first edition copies had been destroyed and withdrawn. A second edition was printed, but I have learned within the last day or so that at least one copy of that first edition containing those serious errors has been sent out. If anything can be done to request the King's Printer, from this committee, to see that these first edition copies are destroyed and the second edition only distributed, I should be greatly obliged.

Mr. REID: I wonder if this is one of the copies?

Mr. WOLFENDEN: That is the incorrect copy.

The CHAIRMAN: Have they been circulated recently?

Mr. WOLFENDEN: Well, sir, I know of at least one of these first edition copies that was sent out within the last four or five days.

The CHAIRMAN: That would be under the control of the King's Printer.

Mr. WOLFENDEN: Yes.

The CHAIRMAN: I do not know that this committee could exercise any jurisdiction.

Mr. WOLFENDEN: Not jurisdiction, but I thought perhaps a request coming from you might carry more weight than one coming from me.

The CHAIRMAN: I do not think any member of the committee would mind.

Mr. WOLFENDEN: I made the request about four years ago, apparently without success.

The CHAIRMAN: I think we will endeavour to comply with that request.

Mr. WOLFENDEN: Thank you, very much.

If I may, sir, I should like to place on the record first of all my own interpretation of a phrase which has assumed a great deal of importance in these discussions. That is, the meaning of "actuarial soundness". I understand,

and I am very glad to hear, that it is the intention of the government, so far as may be possible, to make sure that this bill is "actuarially sound". I should like therefore to explain the meaning of that phrase "actuarially sound". To do so I may quote from the following explanation which I included in an address on "the Financial Implications of Compulsory Health Insurance" in Vancouver in 1938. Actuarial soundness can be claimed for any plan only when all of the following conditions are fulfilled: (1) The benefits offered by the plan must be defined, and the conditions for their payment must be clear. (2) The corresponding contributions, or other financial arrangements, by which the costs of such prescribed benefits are to be met, must be determined by proper actuarial calculation. (3) Any power to alter the basis, terms, or conditions of the scheme must be subject to an actuarial certificate that the costs of such alteration are within the financial capacity of the plan; and (4) Adequate machinery must exist for the certification, inspection, and control of claims for benefits, in order to make certain that they fall within the terms and conditions of the scheme, and for the impartial and judicial interpretation of the numerous and difficult administrative problems which inevitably arise. If any plan of insurance cannot meet these tests, it cannot be certified as being "actuarially sound". It must then obviously be classed as being either "actuarially indeterminate", or "actuarially unsound". If the actuary cannot set out the benefits, conditions, contributions, powers of alteration, and methods of organization and control in such a distinct manner that he can, according to his best judgment and experience, formulate his methods of calculation with reasonable certainty and with adequate (though not, of course, excessive) margins of safety, then it is obvious that the basis of the plan must be "actuarially indeterminate"—"void for uncertainty", as I believe the lawyers would say. If, on the other hand, a plan is definable enough, but shows itself on actuarial calculation to propose benefits greater than the contributions can support, then there is no alternative to its being reported as "actuarially unsound".

On this test, which I believe to be a fair and professionally acceptable appraisal of the problem, it is my conviction that the scheme set out in bill 98 is, at the present time, "actuarially indeterminate". My reason for that opinion is this: Actuarial soundness, as already explained, requires the actuary to be able to formulate his methods of calculation "with reasonable certainty, and with adequate (though not, of course, excessive) margins of safety". In this case—in the year 1940, in respect of any estimate of future unemployment—it is, it seems to me, wholly impossible to formulate methods of calculation "with reasonable certainty, and with adequate margins of safety". It is quite impossible to assume with any reasonable certainty what the basic rate of unemployment, on which all the calculations must be based, is likely to be.

The position is entirely different from 1935. At that time, with the world at peace, it was a perfectly reasonable assumption that a 12 per cent rate of unemployment, being the percentage of idle time to total time, as shown by the records of eleven years from 1921 to 1931, would represent adequately the unemployment rate to be anticipated over a cycle of years commencing in 1935 or 1936. In fact, in my opinion the assumption of that basic 12 per cent rate in 1935, and the rate of contribution for the specified benefits which were calculated by Mr. Watson and myself on that rate, and in conformity with the terms of the 1935 Act, were based on a wholly reasonable certainty, and did contain an adequate margin of safety. For that reason I was quite prepared, at that time, to certify the actuarial soundness of the Act, which I did, after very careful and independent examination, in my Actuarial Report, particularly in paragraphs 42, 43 and 51 thereof, to which I have already referred.

May I give you, sir; two illustrations of the very different picture which we now face in 1940, as compared with 1935, even if we suppose that we were

[Mr. Hugh Wolfenden.]

considering the identical 1935 Act without any of the comparatively minor changes which have been introduced in the 1940 bill. The conditions which we now face are utterly unpredictable. Suppose, for example—and these are not unreasonable assumptions at all, though we may all pray they will not happen—that the unemployment fund experiences the following rates of unemployment. Suppose that in 1941, in the first six-month period, the rate is 8 per cent, and in the second six months the rate is 6 per cent, which for the full year would give 7 per cent; and that in 1942 it experiences a rate of 6 per cent, as the war continues and more workers became steadily employed under the Act. Suppose that in 1943 the war ends, and there is a very serious dislocation, with the rate of unemployment among those insured under the plan jumping, as is not impossible, to such a rate as 20 per cent; that in 1944 the dislocation continues and the rate increases to 30 per cent, and that in 1945 there is a decrease again to 20 per cent. Over these five years, which is not a full cycle—and I will come to that in a moment—that would give an average rate of unemployment of 16·6 per cent per annum. If the fund is set up on a 12 per cent rate it would become insolvent early in 1944, unless there is a reconstruction through the advisory committee.

To give a second example, suppose that the fund experiences the following rates—say in 1941, 6 per cent; in 1942 as low as 4 per cent; in 1943 at the end of the war, with its dislocation, 25 per cent; and in 1944, a rate which has been shown in the United States at certain times, 35 per cent; and in 1945, 35 per cent. In that five-year term, which again I would emphasize is not a full cycle as it is ordinarily understood, the rate of unemployment which the fund would have to bear would be basically 21 per cent; and again in that case the fund would become insolvent at the end of 1943 on the assumption of a 12 per cent rate—and the advisory committee would again have to effect a drastic readjustment. As I have said previously, those are not in any respect unreasonable assumptions. We may compare, for example, a similar kind of disaster which happened to the British scheme, as noted at the bottom of page 16 of my report of 1935.

There is another aspect of this same question to which, I believe, insufficient attention has been paid. It is an important matter to which I referred particularly in paragraphs 64 and 65 of my 1935 report, in section VIII dealing with the date of proclamation of the scheme. In paragraph 64 I pointed out that "there is a vast difference between the *modus operandi* of an unemployment insurance fund set up at the prosperous stage of a trade cycle, and that of a precisely similar fund set up in the throes of a depression." And the subsequent remarks in paragraphs 64 and 65 are even more pertinent now than they were in 1935, for the following reason: In 1935, at a time of at least partial depression, a large number of the more unstable employees had already fallen out of employment, with the result that those who would have become insured under the 1935 Act would have represented comparatively good risks, so far as their probability of unemployment is concerned. The insured persons would have been a group, that is to say, subject to a low rate of unemployment. Their rate of unemployment would have continued to be low even if the semi-depressed conditions had not improved, and it probably would not have risen sharply even if large numbers of the more unstable workers then out of employment gradually regained employment and became insured persons with benefit rights. It was for that reason particularly that I felt confident in certifying the adequacy of the 1935 contribution basis. Now, however, we have a high rate of employment; that will mean that a larger number will become insured under the plan,—which socially is very desirable, though actuarially mere numbers, as distinct from rates, are of little consequence. It will mean that the good risks, as in 1935, will become insured, and also that a large number of comparatively bad risks—using that term in an insurance sense—will also become insured. In

such a group the rate of unemployment is likely to be higher over a cycle of years than is represented by the estimates in 1935. The circumstances here detailed constitute one of my main reasons for believing that over a cycle of years the rate of unemployment likely to be experienced may be greater than the 12 per cent assumed in 1935. The 12 per cent assumed in 1935, I was convinced at that time, was entirely safe. The 12 per cent assumed in 1940 quite conceivably may not be.

I should like to turn now to Mr. Watson's report, a copy of which I received only yesterday. Mr. Watson is a very honoured colleague of mine, of long standing, and I should be the last to wish for any interpretation to be placed upon my remarks which would lead anybody in this room to think that there is or is likely to be any conflict of professional opinion between him and me. I believe, in fact, that there is no such conflict whatsoever, and there is not likely to be. If, therefore, I now point out certain things which Mr. Watson says, and also things which he does not say, I trust that the committee will realize that I do so only in order to bring out the significance of his observations. I do so objectively, and in a professional spirit only. Perhaps in that connection, sir, if you would allow me to take a moment to do so, I might quote the famous dictum of Francis Bacon, which is the motto of the British Institute of Actuaries to which Mr. Watson and I both have the honour of belonging: "I hold every man a debtor unto his profession, from the which as men of course do seek to obtain countenance and profit, so ought they to endeavour by way of amends to be a help and ornament thereunto." It is in that spirit only that I approach this question.

What Mr. Watson says now in 1940 is this. On page 2 he draws attention to the fact that:—

"Data of the past, however nearly complete and perfect they may be, must fall so far short of being a satisfactory guide to the future that it is beside the mark to attempt to attain a supposed statistical purity in their compilation.

Then on page 3 he observes:

"the incidence of unemployment varies so widely from year to year, and from period to period, that it is not practicable to determine rates of contribution in advance which will with any certainty prove adequate over a long period unless, indeed, they should be deliberately set excessively high."

Then on page 4, with reference to the advisory committee, Mr. Watson says:—

"It might be thought a matter of relatively little importance what rates of contribution were adopted in the first instance, as it would be possible to make adjustments from time to time in the light of experience. This, however, appears to be a far from satisfactory position to take, for it is no more than fair to all concerned that an undertaking of such great consequence should be embarked upon only on the basis of the best possible estimate of the probable costs and dislocations."

On page 5 we come to his basis, and at the top of page 5 he says this:—

"The objective kept in view was to determine rates sufficient to provide the benefits in the draft Bill for a period such as the eleven years ended June 1, 1931, assuming that the scheme had attained the status of full operation before the commencement of that period. Having regard for the employment history since July 1, 1931, it can hardly be held that this objective is either unreasonably high or unreasonably low."

Then at the bottom of page 7, he says:—

The rates of contribution in the above table are recommended as reasonable for inclusion in the draft bill.

[Mr. Hugh Wolfenden.]

He, however, goes on to add the further remark:—

Nevertheless, it is also recommended that they should be re-examined as soon as data may become available which would justify re-examination.

Then finally on page 10 he observes:—

The tentative nature of these estimates will be apparent; they relate to an average year only, and few years are average in the matter of employment and unemployment. On the basis of these statements, which are taken, I think quite fairly, from Mr. Watson's report, it is therefore quite clear that he is recommending certain rates of contribution under certain definite conditions of operation, but that also he is issuing at the same time certain very definite cautions with regard to the paramount importance of maintaining those principles of operation in order to make certain that the scheme will not be permitted to degenerate by reason of the "contrary opinions which have had a certain vogue in some quarters in recent years", leading to a possible general breakdown against which he warns on page 9 of his report. Mr. Watson's words, there in 1940, are precisely of the same import as those I included in paragraph 14 and 26 of my own report in 1935.

Mr. Chairman, as I have concluded earlier, I should not now, in 1940, faced as we may be by possibly cataclysmic unemployment after the war, be prepared to certify the bill as "actuarially sound". It is, in my opinion, "actuarially indeterminate"—a leap, actuarially, if I may so put it, in the dark, with its sole protection the Advisory Committee. In my report of 1935, at the end of paragraph 26 on page 12, I felt it my duty "to commend the provisions with respect to the Unemployment Insurance Advisory Committee, and to urge that they should not at any time be weakened upon any pretext whatsoever." Under the circumstances of 1940 I accordingly view the Advisory Committee as the one body which may be called upon, so far as the finances of the scheme and the general welfare of the taxpayers of Canada are concerned, to keep the plan from serious ultimate involvement of the National Treasury.

In this connection I would commend the suggestion which was made in respect of its employee members yesterday in this room, that its members should be paid adequately, and I would urge the proper payment of the representatives of employers as well as of employees. Their responsibility will be very large, and their duties burdensome if they are to be properly discharged. I would submit that it is unreasonable that all of the Commissioners, the thousands of civil servants, and the specialists to be required under the Act, shall be paid on accepted scales, but that the men who will act on that important Advisory Committee should be expected to do so for nothing beyond expense allowances. I would urge, finally, with regard to this Advisory Committee, that everything possible be done even to strengthen its powers.

That brings me, Mr. Chairman, to a definite plea for further consideration of this plan before it goes into effect. From my own personal contacts with the viewpoints of employers and employees, and of members of Parliament and of the Legislatures throughout Canada, I am convinced that there is no essential conflict as to the desirability of unemployment insurance, so long as it is "insurance", so long as it can and will be maintained as "insurance", so long as it is not demonstrably inequitable to any group, and so long as there is some reasonable hope that it can be put into operation—particularly at a time like this, in the middle of a war in which the Empire is fighting for its very life—without a colossal disturbance of our administrative, financial and employment practices

and relationships. I believe that it is little understood in the country at large that an unemployment insurance measure of the scope of the 1935 Act, or of this Bill, will present a problem of organization and administration which will be far beyond anything that people usually are prepared to realize. If anybody is in doubt concerning the intricacies which will have to be faced in the interpretation and practical working of this legislation, I think he should review the decisions of the Umpire under the British Unemployment Insurance Acts—decisions which, incidentally, will answer most of the questions of interpretation asked in this room yesterday, for example. I remember also the formidable difficulties which developed in the United States through precipitate action in the attempt to put into operation almost overnight plans which varied significantly—as this bill varies significantly—from the British Acts with their flat rates of contributions and benefits, and their settled Umpire's cases. In New York State, for example, the Unemployment Insurance State Advisory Council in 1939, supported by the governor, found it necessary to lay great emphasis upon the fact that "the problems involved in setting up a system of unemployment insurance which will function effectively along lines of sound social policy are many and diverse; they cannot all be solved at once; we must frankly recognize that neither the state of the general knowledge on the subject nor of our practical experience is at present equal to the task.

They went on to observe, as has been observed so often in Great Britain, that:—

- (a) "Unless the provisions of the law are themselves of utmost simplicity, effective and economical operation cannot be expected;
- (b) "The attempt to achieve a meticulous exactness in compliance with the dictates of abstract theories has led to a mass of technical complexities which now threaten to break down under their own weight; the resulting system has proved needlessly burdensome for employers, well-nigh incomprehensible to employees, and unduly costly to operate, if it can be successfully operated at all;
- (c) "Only through simplification can we achieve smooth administration at a cost which is not out of proportion to the results."

The problems to be faced in Canada are no less difficult. They may not all be the same, but they are certainly no easier. I therefore desire, sir, to record the view, whatever decision may ultimately be reached respecting the date for putting any such plan into effect, having regard for the possibility of maintaining its insurance principles, that the plan might with great advantage be referred to an impartial committee of employers and employees, with instructions to report upon the most desirable forms of procedure, so that employers and employees at large may come to understand something of the administrative problems which will face them.

I would also suggest that the collection of contributions under the bill should commence upon a date to be fixed by proclamation, in accordance with a recommendation by the commission, and in conjunction with a report from the advisory committee—that report from the advisory committee to certify that, in its opinion, the date so selected is such that the committee considers that the fund is likely to be reasonably sufficient to discharge its liabilities over at least the succeeding four years.

I should like to thank you, sir, for your consideration in giving me the opportunity to present these views. As I trust and feel sure that both you and your Committee members will believe, I have made these observations solely with the object of facilitating the inauguration of the best possible plan for dealing with so complex and far-reaching a subject as unemployment insurance.

[Mr. Hugh Wolfenden.]

By the Chairman:

Q. You suggested at one point that you thought the members of the advisory committee should be paid. I suppose that would be on the same basis as members of the commission, at such amount as the governor in council may determine?—A. That would be my thought.

Q. Yes. May I ask you one more question. What do you think of the effect of the adoption of the ratio rule in this Act, where the benefits are directly proportionate to the contribution?—A. Personally I have no particular objection to it. I feel, of course, that it is perfectly obvious that a flat rate of contribution and a flat rate of benefit is simpler to operate than any graded scale; but I am not inclined to think, myself, that these seven wage classes, as they appear in the Act, will lead to insuperable difficulties so long as—and I am sure such is the intention—reasonable opportunity will be given for the working out of particular cases and the most convenient procedures.

By Hon. Mr. Mackenzie:

Q. Did I understand you to say in your evidence that you thought that 12 per cent was too low for the average of unemployment over the next five years?—A. No, sir, I am not saying that; I am saying only that if we assume a rate of 12 per cent, or, for that matter, any other rate, we shall at the present time be assuming a rate of which we know almost nothing.

Q. Yes. I have read your very excellent work here on "Social Insurance" that it has been actuarially determined that practically any system of insurance must be actuarially indetermined.—A. I do not think I put it that way, sir.

Q. Well, I can't read the exact wording. It is all over two chapters there. That is in the argument contained in your work of 1932.

By the Chairman:

Q. Is not that reasonably true, that you have got to estimate the future? You cannot tell, no actuary nor anybody else can tell, what is going to happen in the future, especially in these days?—A. The point I want to make is this, that in 1935 I certified that the rates of contribution were undoubtedly adequate having regard to the rate of unemployment which the country was then facing, in 1935; and there was the fact that we were not in a war.

By Mr. Mackenzie:

Q. That would depend on whatever plan would be adopted to meet the problems of re-establishment, would it not?—A. Yes.

By Mr. Reid:

Q. In presenting your figures of percentages for the next five years you indicate that it will be steadily rising. You started in 1941 with 6 per cent, and then 4 per cent, and you went right up until I think in the year 1945 you quoted it at 35 per cent. Now, was that just because those were the only figures on which you could rely; why did you set it at 35 per cent? You probably could have set it at 50 per cent or 25 per cent just as well?—A. That is precisely the point I am trying to bring out.

Q. Someone else in computing these figures in any other hypothetical case might have said 20 per cent, and nobody could have disputed your 35 per cent. Yet you suggest I understand that the passage of this bill should be delayed for such a reason.—A. I have not suggested in any portion of my argument, sir, that the passage of this bill should be delayed for any such reason. I think the Chairman will bear me out in that.

The CHAIRMAN: Yes, what you are urging is our careful consideration of the matter.

By Mr. MacInnis:

Q. When you declare that the 1935 bill was actuarially sound how long a period did you have in mind?—A. We had in mind at that time, as is stated, I believe, in Mr. Watson's report, and my own, that in 1935 it was reasonable to suppose that the scheme would remain actuarially sound over a cycle of years which might reasonably be put at perhaps 8, 10, or 12 years—with, may I add, the ever present power and possibility of the advisory committee making such amendments as might seem to be necessary.

Q. If I understand you aright you said that, taking certain possibilities into consideration, the present scheme would be bankrupt by 1945.—A. In certain circumstances only.

Q. In certain circumstances; well then, taking ten years as the cycle from 1935, the 1935 scheme would also have been bankrupt in 1945?—A. No, not necessarily at all.

Q. It would be practically the same?—A. No, not at all; if the plan had been put into effect in 1935, there might have been a very much lower unemployment rate between 1935 and 1940, and adjustments might have been made which would have enabled it to carry over on a sound basis. Now, however, we might have heavy unemployment in say, 1943, 1944, and 1945 without any fund having been built up between 1935 and 1940.

By Hon. Mr. Mackenzie:

Q. If we were passing in this committee to-day the 1935 bill would you say that it would also be insolvent in 1945?—A. I should make the same remarks as I am making now with regard to the actuarial indeterminateness of the 1940 Act, because I believe—subject to more careful examination than I have been able to give in the time at my disposal to Mr. Watson's report—that the general level of contributions and benefits, and the general relation of contributions to benefits in the 1935 Act allowing for the scaled payments rather than flat rates, is very similar to that of the 1935 legislation.

Q. May I ask another question; when you were making up the 1935 bill you of course had figures for employment and unemployment in Canada?—A. Yes.

Q. Did you not have the figures for 1933? Were those the last figures you had available for your study?—A. The last figures we had available, which Mr. Watson and I both thought were properly and sufficiently applicable to the circumstances, were the figures from 1921 to 1931; and, in forming the judgment that the basis of eleven years, from 1921 to 1931, was a reasonable basis for calculations in 1935, naturally we had regard in our discussions to the record of unemployment rate between 1931 and 1935.

By Mr. MacInnis:

Q. Do I understand you aright if I say that you do not think this is a good time to put the scheme into operation?—A. No, sir, you entirely misunderstood me. All I have said is that I want to warn the committee, as an actuary who has a considerable responsibility in connection with the 1935 legislation, that in putting into effect the Act in 1940 the Commission and the country will be facing an entirely different set of circumstances from those which were in effect in 1935. That is all I said.

By Mr. Roebuck:

Q. Is not the main difference between your position in 1935 and your position in 1940 the fact that at the present moment we are in a war and are unable to see far into the future?—A. Precisely.

Q. Yes, but in 1935 you certified a scheme as actuarially sound; did you not at that time contemplate the possibility of a war in which Canada might be

[Mr. Hugh Wolfenden.]

involved?—A. That was a comparatively remote contingency, I think, in 1935. I do not think in 1935 there was any thoroughly good reason for warning the country, or setting a rate of unemployment higher than 12 per cent, merely because there was the possibility of another European war.

Q. Was there not the possibility at all times of the nation becoming involved in war? That was a contingency at that time, wasn't it?—A. There was the possibility; I presume it is always present, in a sense.

Q. There is always that possibility?—A. Might I ask you a question, Mr. Roebuck, if you had been sizing up the situation in 1935 as to the possibility of a war in which Canada would have become involved, what would you have said as to the chances of its happening?

Q. I would think 10 per cent at least. If you will accept my estimate—and of course, my 10 per cent is just as good as any other—if you had had before you at that time the 10 per cent possibility of war, a war in 1935 would have had the same effect as a war in 1940; why, with that possibility, with any possibility in front of you, would you say in 1935 that a scheme was actuarially sound? Why did you say that it was actuarially sound at that time when you knew what the war possibilities were?—A. Because, Mr. Roebuck, if you sit down with the figures in 1935, and put down as an assumption a 12 per cent rate of unemployment on the one hand as a basis of the Act, and on the other hand you set down the actual rates of unemployment which were experienced between 1935 and 1940, and then along with this a mathematical appraisal of your 10 per cent of probability of war in 1940. I think you will find that the assumption of the 12 per cent rate was high enough, an assumption which would give you every reason for saying that the scheme was actuarially sound.

Q. Do I understand that mathematically, while there was a chance of war and therefore the scheme becoming unsound to the extent that it would be impaired, you were prepared to bank on the chances in 1935 but not in 1940?—A. I do not think that is a fair way to state the question, if I may say so.

Mr. JACKMAN: Might I suggest this, that in actuarial science you must give more weight to a probability than to a possibility. In 1935 there was a possibility of war. In 1940 there is much more than a possibility of war. We have war, and we have the probability of an aftermath of that war. Would that answer your question?

Mr. ROEBUCK: No, there is no probability of war, it is present as a fact. At that time war was a possibility, not a probability.

The WITNESS: That is what the Chairman has just said—he said we have the actuality of war.

Mr. ROEBUCK: That is what we have now. But while we have the actuality of war, we have now the probability of dislocation following the war. In each instance it was a possibility; the possibility in 1935 of the events which you now fear, and the possibility in 1940 of the event that you now fear; both were possible at that time.—A. This has absolutely no relation to my argument whatsoever.

Q. I think we have probably got as far as we can on that. But tell me this, would you say that the life insurance companies of Canada are actuarially indeterminate, or actuarially sound?—A. The life insurance companies in Canada are actuarially sound.

Q. Yes. Now, is it not a possibility that Canada being engaged in war there might be a great loss of life in our cities, a possibility?—A. Perfectly true.

Q. And if that possibility came true the insurance companies might be upset financially?—A. What do you mean by upset financially.

Q. I mean to say they might become bankrupt?—A. I doubt it.

Q. You doubt it, obviously; may I ask you this, if there were enough calls on the companies, if enough people died in a short length of time, a company might become insolvent, isn't that right?—A. Well, taking the extreme circumstances, of course, it is possible to destroy anything.

Q. Never mind whether it is extreme or not. No company going on an actuarial basis operates on the basis of paying all its risks at any one time. If all its risks fell due to-morrow that company could not pay. That is actuarially right, is it not?—A. May I ask you to continue your argument before I answer?

Q. No, I want to know if I am right. I asked you this: Is it not a fact that insurance companies do not calculate their financial position to meet all their risks if they fall due at the one time?—A. They calculate their actuarial position to take care of the contingencies in respect of which they have issued their contracts, on proper and reasonably considered assumptions concerning the probabilities of the occurrence of those contingencies, and with what they consider adequate reserves or contingency funds.

Q. That is to say, the insurance companies do not calculate to pay all their risks at any one time?—A. Certainly not to pay all their risks at any one time.

Q. Nor do they calculate to pay beyond the proportion which is reasonably normal.—A. That is exactly what I am talking about in connection with the risk of unemployment.

Q. Now, then, Mr. Wolfenden, the two, I think, are parallel. If Canada became engaged in war and a very considerable number of our population were destroyed, the insurance company would not surely be actuarially sound in the face of that situation.—A. I have not attempted—I doubt if anybody has attempted—to make an estimate of the extent of the increase in mortality from air bombings which the companies of this country could sustain and still meet all their claims.

Q. Your position then, I take it, is this: That you are ready to say that the insurance companies are actuarially sound, notwithstanding the possibility of a large number of deaths as a result of war, but you are not prepared to say that this is actuarially sound?

The CHAIRMAN: No, he did not say that, Mr. Roebuck; he did not mention anything about its being actuarially unsound.

Mr. ROEBUCK: Probably I misphrased it. Thanks for the correction.

By Mr. Roebuck:

Q. You are prepared to say that the insurance companies are actuarially sound, notwithstanding the possibility of excessive deaths resulting from war, but you are not prepared to say that this is actuarially sound, notwithstanding the possibility of excessive unemployment as a result of war?—A. For the very simple and obvious reason, Mr. Roebuck, that the impact of the contingency of what in fire insurance parlance would be called a conflagration hazard upon the rate of mortality in life insurance is of a wholly different order of significance from the impact of a cataclysmic rate of unemployment after the war in respect of a scheme of unemployment insurance.

Q. Mr. Wolfenden, you appeared before the committee in 1935?—A. No.

Q. Did you not appear before the Senate committee in 1935?—A. No.

Q. Well, you made an actuarial report in 1935?—A. Yes.

Q. By whom were you employed at that time?—A. By the Dominion government.

Q. Since that time you have been acting in an advisory capacity, have you, to a number of companies?—A. Yes.

Q. And associations?—A. Yes.

[Mr. Hugh Wolfenden.]

Q. Have you acted for any of those who have appeared before this committee?—A. I have.

Q. That is, Mr. Smith represented the Life Insurance Officers Association—have you acted for the Life Insurance Officers Association?

Mr. HOMUTH: We have a man here giving evidence; surely we are not going to question his integrity because of the positions he holds. It is most unfair.

Mr. WOLFENDEN: May I say to Mr. Roebuck through you, sir—

Mr. ROEBUCK: May I say to you before you do that—

Mr. WOLFENDEN: —that if the committee desires to have a complete statement of all the governments—

The CHAIRMAN: I did not catch the first part of your statement, Mr. Wolfenden.

Mr. WOLFENDEN: May I say to Mr. Roebuck through you, sir, that if the committee would like to have a complete statement from me of all the governments, municipalities, corporations, mutual benefit societies which I have advised with respect to pension funds, health insurance, life insurance, and unemployment insurance both before 1935, between 1935 and 1940, and to whom I am adviser at this time, I shall be extremely happy to submit it to you.

The CHAIRMAN: I do not think it would be helpful.

Mr. ROEBUCK: I only asked you one question.

Mr. HOMUTH: The implication was there.

By Mr. Pottier:

Q. I am trying to get an impression of just what your suggestion is. I understood you made three suggestions as you were reading?—A. Yes.

Q. The first suggestion was that we give further consideration to the bill.—A. I particularly phrased my language by suggesting that we should give further consideration to the plan.

By the Chairman:

Q. The administration?—A. Yes, to the administration.

By Mr. Pottier:

Q. To the administration?—A. Yes, of the plan.

The CHAIRMAN: He did not at any time suggest that we should hold up the passing of this Act. He said when the Act has been passed that careful consideration should be given in the matter of administration.

Mr. MACINNIS: What is meant by that?

Mr. POTTIER: I am not quite clear on that.

Mr. REID: Three or four of us took that point of view anyway.

Mr. WOLFENDEN: May I re-read my statement, sir?

The CHAIRMAN: Not the whole of it.

Mr. WOLFENDEN: No, no; that particular phrase. I think the reporter will be able to correct me if I change any of the wording. My first suggestion was that the plan might with great advantage be referred to an impartial committee of employers and employees, with instructions to report upon the most desirable forms of procedure, so that employers and employees at large may come to understand something of the administrative problems which will face them.

By Hon. Mr. Mackenzie:

Q. That is concerned entirely with administration, is it not?—A. Yes.

Q. Is not the administration under this bill the same as it was in 1935?—A. Substantially, but, of course, not identical.

Q. I think it is identical, and you endorsed it.

By Mr. Pottier:

Q. Did you suggest in 1935 when you made your report that the plan be referred to an impartial committee?—A. No; for the very—

Q. Why not?—A. For the very good reason that in my opinion, at that time, and I think this is a point that is worth emphasizing, the simplification that was the result of the flat rates of contributions and benefits was perhaps larger than a great many people believe. And as I had the privilege of listening to some of the discussion in this room yesterday I became convinced that there is in the minds of some employers, and also in the minds of some employees—though particularly in the minds of employers—a good deal of confusion as to exactly how much work is involved in the sliding scale of contributions.

By the Chairman:

Q. That is the work involved in making the returns?—A. Yes. And it is my conviction that it is always advantageous, in the inauguration of a plan the success of which will be notably dependent upon the cooperation of employers and employees, that when you can educate, if they require education, the employers and the employees beforehand, you will administratively be in a most favourable position in comparison with the inauguration of a bill upon employers and employees who feel themselves to be in a state of confusion when they first look at the schedules.

By Mr. MacInnis:

Q. When you say that the plan or scheme should be referred to an impartial committee of employees and employers, do you mean that it should be referred after the Act is passed or before the Act is passed?—A. I would not like to express an opinion on that.

Q. Oh, well, that is the important thing. Your point of view in this matter is of no use to us unless we know at what particular stage we are going to have this impartial investigation. If it is an impartial investigation before the Act is passed, then you are suggesting to us that we do not pass the Act this year. If it is an impartial investigation after the Act is passed, then you are saying that once we pass the Act we should refer it to the administrative jurisdiction for working out.—A. I do not consider, sir, it is either my duty or privilege to suggest to this committee that the Act should either be passed or not passed. That is not the purpose of my appearance—

Q. You are suggesting a certain procedure, and it is important as to when this particular procedure is going to take place. You should advise the committee when the bill should be investigated by this impartial committee.—A. I do not think that is necessary. If I make the suggestion, which seems to me advantageous, that the methods of administration should be reviewed and looked into carefully by employers and employees together, in harmony, through a committee, I do not think it is for me to suggest, sir, when that investigation should take place.

By Mr. Roebuck:

Q. Would an investigation following the passage of the bill satisfy the requirements which you have laid before the committee?—A. I think that they would.

By Hon. Mr. Mackenzie:

Q. Did you suggest a committee like this in 1935—an impartial committee of employees and employers?—A. No; I have already answered that question.

[Mr. Hugh Wolfenden.]

I said in my opinion the administration in 1935 was, in the minds of the employers of this country, a good deal clearer than it is at the present time, on account largely of the simplification that arose from the flat benefit method.

Q. You prefer the flat rate system to the graded system?—A. I didn't say so.

Q. You are aware that under the terms of this bill it is proposed to set up an advisory committee which is going to be an impartial committee?—A. That is true.

Q. Your suggestion is met before you make it, by the Bill itself.—A. I do not think it is met.

By Mr. Reid:

Q. Starting with a 12 per cent actuarial estimate of unemployment, and with an advisory board set up under the bill, whose duty it would be to scan unemployment at the present time and what might occur in six months' time, would you, in your opinion, think that a proper safeguard?—A. I have already suggested, sir, that I think it would be desirable to widen the powers of the advisory committee. And I suggested for your consideration the possibility that the collection of contributions under the bill should commence upon a date to be fixed by proclamation, in accordance with a recommendation by the commission, and in conjunction with a report from the advisory committee; that report of the advisory committee to certify that, in its opinion, the date so selected is such that the committee considers that the fund is likely to be reasonably sufficient to discharge its liabilities for at least the succeeding four years.

By the Chairman:

Q. That would not require any amendment at all to the Act?—A. I do not think so.

By Mr. Jackman:

Q. A few days before the declaration of war by Great Britain did the life insurance companies in Canada raise their rates for insurance by inserting the war clause?—A. On the outbreak of war Mr. Jackman, certain procedures were taken by life insurance companies with respect to the war clause in their contracts, and particularly with respect to the necessary protection in respect of the war risk in policies to be issued in the future.

Q. Was the rate for insurance raised?—A. I would prefer, Mr. Chairman, because that is a question to which I had not given very close attention recently, that—

The CHAIRMAN: You have or you have not.

The WITNESS: Have not given particularly close attention recently; therefore I do not want to quote specific figures on that point, Mr. Chairman.

Mr. ROEBUCK: It would be in regard to new policies, anyway.

The CHAIRMAN: Are there any other questions?

By Mr. Pottier:

Q. I might as well be frank with you; I am afraid the impression has gone out from the evidence that Mr. Wolfenden has given that there is something unsound about the scheme. With perhaps a close scrutiny of the wording that may not be so. I am afraid that is going to be the impression given by the evidence of this witness. I think it is very important that we should clear that up. I tried to take the suggestions down. You suggested that further consideration should be given to this scheme. You made that suggestion on a page before you ended your remarks. I understood you to say that on account of war conditions further consideration should be given to this matter. Now, is that

right or wrong? On account of war conditions you suggested further consideration of this plan. Is that right or wrong? Is it on account of war conditions?—A. I do not think I made that suggestion at all. I made the suggestion, sir, which I think has already been dealt with although, if I may say so, Mr. Chairman, I think it has been misunderstood, that an impartial committee of employers and employees should report.

Q. Before that you said, "on account of war conditions." Those words came to me two or three times and it just struck me you were following the same representations that were made by others who appeared here.—A. And then I suggested that the act should go into effect by proclamation, and so forth and so on.

Q. Before that did you not suggest that further consideration should be given?—A. I do not think so.

Hon. Mr. MACKENZIE: I took the words down and have them in my notes.

Mr. POTTIER: The words were "on account of the war."

The WITNESS: No, I was not suggesting further consideration at that time; I was pointing out the possible unstable condition of the fund under certain hypothetical circumstances, which in my opinion are circumstances which should be in the minds of those who put the legislation into effect.

By Mr. Pottier:

Q. Well, are you lecturing the administration or are you making representations that this plan should be kept in abeyance? Are you doing that or are you lecturing to the persons who are going to administer it later on?—A. Mr. Chairman, is the interpretation of my remarks that I have been lecturing the committee?

The CHAIRMAN: I do not think that it has been much of a lecture; I think it is a figure of speech that Mr. Pottier is using.

Mr. POTTIER: I will take out the word "lecture." I should like to know whether you are making representations that this plan be kept in abeyance, or if you are agreeable that the plan should go into force but you are just talking about the details of how it should be carried out.

The WITNESS: I am here, sir, under a subpoena from the committee to give evidence.

By Mr. Pottier:

Q. Are you in favour of this act or not? Are you in favour of this act going into force at the present time—that is putting it broadly?—A. I have said already that I am favourable to the act going into force with the safeguards which I have already recited.

Q. You are in favour of it, then?—A. With the safeguards that I have already recited.

Q. These safeguards are connected with the administrative details of the act?—A. And the report from the advisory committee to accompany the recommendations of the commission.

The CHAIRMAN: Gentlemen, I think Mr. Stangroom would like to ask a question.

By Mr. Homuth:

Q. You are in favour of the principle of unemployment insurance?—A. I have already said that, sir, and I will put it on the record again. I do not think that anybody can produce one tittle of evidence of any sort, kind or description to show that I have ever taken a position in opposition to the principle of unemployment insurance. I am aware, if I may have the privilege of saying this, that there have been a great many people in this country, because I have con-

[Mr. Hugh Wolfenden.]

sistently advised caution in these matters, who have expressed the view that I was an enemy of unemployment insurance. That is wholly and absolutely untrue. All that I have attempted to make certain, and which I now hope to help to make certain, is that if, as, and when this or any other unemployment legislation goes into effect in this country, it will go into effect with a full understanding of all the circumstances, with every safeguard that can possibly be written into it, and in such a manner that it will not ultimately involve the national treasury in a large additional amount of taxation.

By Hon. Mr. Mackenzie:

Q. You are aware, I am sure, that at the present time in England, in the face of the war, they have extended or are extending the benefits in their unemployment insurance system?—A. That, sir, is true, and of course is a result of their long experience and their long story. I would like to point out that that statement can only be read in conjunction with the whole history of the British unemployment insurance scheme from 1911, remembering the fact which I stated, without disparagement and without criticism of that Act or of this Act, that their disregard of some of the precautions which I have been advocating here to-day, and notably from the non-existence in Great Britain of the advisory committee in the early days of the scheme—

Q. We have that here.—A. Through the non-existence in England of the advisory committee in the early days of the scheme, the plan fell into insolvency. Now, the plan, after a long and rather bitter experience, and with the advice and assistance of the advisory committee, has been made solvent, and is being kept in a solvent condition.

Q. And has been extended and is expanding during the war?—A. And is being extended due to the fact that a very cautious administration had kept the finances of the fund in hand before the war began. I think that is the important point.

By Mr. Reid:

Q. May I ask this question again? The percentages you quoted going from 1930 to 1945 were hypothetical?—A. I have already said that, sir, a great many times.

By Mr. Homuth:

Q. Did you not make reference to the fact that in the United States unemployment did go from around 10 or 11 per cent or 4 or 5 per cent up to over 30 per cent?—A. I did, just as it is on the record, for anybody to read, that in Great Britain the rate of unemployment to which the unemployment fund was at one time subjected to, rose to a figure of over 20 per cent, as I mentioned in my evidence earlier and as I said at the bottom of page 16 of my report of 1935. The statement that I made there was: “—the increase in the rate of unemployment from the estimated 8·6 per cent, and later 6 per cent, to an actually experienced ten-year average of 12·2 per cent, which rose subsequently to a figure even over 20 per cent.” And the rising of the figure to over 20 per cent was the direct cause of the bankruptcy of the British unemployment insurance fund at that time. That is the reason that I wanted to put the evidence on record.

By Mr. Pottier:

Q. It may be that after the war unemployment will not go down at all. There are some people who hope that employment will increase in Canada, that we will have development.—A. It is possible.

By Mr. MacInnis:

Q. Do you know of any country where insurable employment went up as high as 35 per cent?—A. No. I cannot quote these figures offhand, but a rate of that kind may have been shown in some of the European countries. It is entirely possible, but certainly not in any of the English-speaking countries.

Q. But in making your calculations for the next five years you took 35 per cent or possibly over that as a maximum.—A. No, I did not say as a maximum.

Q. You say that they may go as high as that. Are all these figures hypothetical possibilities?—A. They are hypothetical figures.

Q. Why use hypothetical figures when you did not find any comparable circumstances?—A. I have already stated that you can find on the record of unemployment in the United States examples of at one time, during the depression in recent years, a rate of unemployment of approximately that figure.

Q. But the rate of unemployment should represent the insurable period. The rate of unemployment and the rate of insurable unemployment are two different things. The rate in Canada may be 35 per cent but the rate of insurable employment may be not more than 18 per cent, because those employees who are more liable to unemployment are excluded from that act.—A. It is precisely a contrary view to that I have tried to illustrate to this committee. It is very much more likely that a large number of men—and I was very careful, sir, to make this clear—at the present time will be swept into the act with a rather high probability of unemployment, which is more likely to make the rate of unemployment shown by the insured group under the act higher than it would be shown in all those attached to industries, whether insured or not.

Q. You have not based it on any evidence from anywhere else?—A. I think if you have carefully followed my argument you might find—or if you will do me the honour of re-reading it, if it is printed, yourself, that you will be quite able to follow the point I have been making.

The CHAIRMAN: Gentlemen, Mr. Stangroom wants permission to ask one question. He wondered if that would be permitted.

By Mr. Stangroom:

Q. Section 34 of the act has a benefit formula which is based on what is known in England and other countries as the ratio rule.—A. Yes.

Q. Have you examined the present figures in relation to the application of the ratio rule to the percentage of unemployment?—A. I think that you will very easily understand that, as I saw the first copy of the bill I think a week ago to-day, it has been entirely impossible for me to make the elaborate calculations necessary to express an actuarial opinion on a technical matter of that description. If the committee wishes me to take time to express a view on that matter I should beg leave to ask the Chairman to so instruct me, and I should be very glad to look into the question; but I do not wish to express any opinion on a matter of that sort without due consideration.

Q. May I remind you that Sir Llewellyn Smith, Sir William Beveridge, and Mr. Ince who made the survey in Australia recommended the ratio rule wherein the period of benefit is directly related to the contribution history of the insured person, so that in fact the percentage of unemployment really does not control the fund nearly so much as the number of contributions made by the insured persons. You would agree with that?—A. Yes.

Mr. WATSON: I think that Mr. Wolfenden has been under a disadvantage. He has not had a copy of my report. That is only the preliminary part. If I had known he was coming to this meeting I would have asked your leave to send him a copy. In fact I have not a spare copy. He should have had that, it seems to me, before coming here, and it might have modified materially many of the conclusions he has relied on.

[Mr. Hugh Wolfenden.]

The CHAIRMAN: Mr. Watson, do you want to make any further statement to us in connection with Mr. Wolfenden's statement? You may do it now or you may give consideration to it and give it to us in writing.

Mr. WATSON: Perhaps I had better give it in writing; but perhaps I can touch upon a very few points. Now, as I was saying, I think he has been under a disadvantage because the technical parts of the report are in the appendix and matters such as the effect of the ratio rule, for example, give it, I think, with reasonable clarity. I think the report is being mimeographed and perhaps a copy can be forwarded to Mr. Wolfenden.

I think it is more usual in giving actuarial rates for unemployment insurance schemes not to make a report at all. I am not too sure that the practice of making a report is very good because it is very difficult to say exactly what you mean and whatever you might show it is likely to convey different impressions to different people. I think perhaps we certified to the health of the patient in 1935 from certain different points of view. My own way of looking at a proposal of this sort is something like this. Perhaps if there was a proposition at the present time to construct a highway or a railway across this continent, and it was desired to have some figures concerning the cost, it would probably be necessary for the engineers doing that work to fix upon some objective standard—the cost of materials, and labour; the territory to be crossed, and all that sort of thing, they would necessarily survey; and on the basis of those actualities they would have to make a report. Such a report, I think, would be reasonable; but it is quite possible that by the time the work came to be undertaken—perhaps it would take many years to complete—prices and all that sort of thing might change a good deal, and might upset a good deal the engineer's report. Perhaps that is not a very good illustration, but it is somewhat in that sense that I approach this sort of a job, and it was in that way that I approached it at this time in 1935. Furthermore, Mr. Wolfenden, has referred to the 12½ per cent. He will see when he refers to the addendum that, although that was the base, as it were, adjustments have been made in that; and one of the adjustments is just to take care of the unforeseen and the dislocations that may be introduced into the scheme or rather into the unemployment situation by the scheme itself. Mr. Wolfenden has very properly emphasized the importance of the functions of the unemployment insurance advisory committee, and I am sure there is no intention that those functions will not be filled by that committee in a perfectly sound and satisfactory manner.

There is one thing I should like to say here. We cannot, in legislation, legislate people of the future into wisdom. You cannot put in a statute now that will make people wise five or ten years from now. You have to, after all, assume, legislatively, that people will be sensible five or ten years from now and do the wise thing. I am sure that those aspects of the bill are adequate; we cannot say what people will do in the future, but they are legislatively adequate to give all the necessary protection and safeguards. When I suggested in my report—perhaps it was a foolish thing to do—that these figures should be re-examined as soon as any better data might appear to be available, I merely meant somewhat the same kind of suggestion as Mr. Wolfenden has been making.

By the Chairman:

Q. A continuous examination?—A. A continuous examination from time to time.

Q. Yes?—A. In that sense, I feel that the rates in the bill are as reasonable as I felt they were in 1935. I do think the ratio rule will stand a good deal of examination. I think it is a very good rule. There is a table in the addendum to my report which shows how the benefits under that will accrue from year to year. The people who qualify for benefits in the first year the scheme is in

force will not draw very much. They will draw more in the second year; and the amount they will draw goes up for five years. After that it drops a bit. Then it stabilizes. So that on the average, a man who works a little, fifteen weeks a year, will get forty-five days benefit; if he works thirty weeks on the average, he will average ninety days benefit. So there is a safeguard. I do not want to make any comparisons of one bill against another, but there is a safeguard there that was not in the 1935 act. In the 1935 act, also, you qualified for the benefit you get as under the British act, a good long benefit—seventy-eight days, I think, as a minimum. That is not so under this act. If your unemployment record is bad, you do not get so much as you do if your record is good. I think that is the important feature. There is so much ground to be covered that really I do not think I had better take up any more time of the committee, because I might be talking at cross purposes.

The CHAIRMAN: Thank you, Mr. Watson.

Mr. HANSELL: Mr. Chairman, I do wish to make just one observation, and I think it should be made. Personally, I think we can appreciate Mr. Wolfenden's appearance here this afternoon, if for no other reason than the fact that the only actuaries who have given evidence have been departmental or government actuaries, and it is a good thing to have an independent actuary give evidence anyway. I am not an actuary; I am not a lawyer. There are many things that I am not, but I think I can observe things. I think that these actuaries appear before us as actuaries and not as prophets of the future. I know, of course, that in their calculations, especially of a scheme like this, it is necessary to calculate future probabilities; but I do not believe any man living can tell you what is going to happen within the next few years. Just after the 1929 crash I remember reading an article that was quite illuminating to me. The secretary of commerce in the United States government—I have forgotten his name—at that time sent out a questionnaire to one hundred of the leading industrialists, bankers and business men of the United States, who were supposed to have their fingers on the pulse of business, asking them just how long they thought the depression would last. Half of them said that it would last not more than six months; not one of the one hundred leading men said it would last more than a year. That is how certain we can be about the future.

The CHAIRMAN: Mr. Wolfenden, I should like to express the thanks of the committee to you for coming here to-day and giving us the benefit of your advice.

Mr. WOLFENDEN: Thank you, sir.

The CHAIRMAN: And thank you, Mr. Watson.

There is one short witness who will not take over five minutes, I believe. He is Mr. Best, vice-president and national legislative representative of the brotherhood of locomotive firemen and enginemen. I wonder if the committee would permit Mr. Best to give his evidence.

Mr. MACINNIS: Let us hear him.

Mr. JACKMAN: Before the witness begins, may I say that Mr. Wolfenden now has the complete statement of Mr. Watson's which accompanies his report. Should he wish to say anything further later, he will be given an opportunity to do so, I hope.

The CHAIRMAN: I think that would be the wish of the committee.

WILLIAM L. BEST, vice-president, national legislative representative brotherhood of locomotive firemen and enginemen, called.

The CHAIRMAN: You can sit down, Mr. Best.

The WITNESS: Thank you. Mr. Chairman, I am not going to attempt to speak on behalf of the dominion joint legislative committee of the so-called

[Mr. William L. Best.]

running trades, because I have not had an opportunity since the bill was brought down of consulting with the representatives of the various organizations which compose that group. I would rather confine my observations to my own organization, the locomotive firemen and enginemen, and the brotherhood of railroad trainmen, represented by Mr. Kelly who was not able to be here to-day. Our own organization, I am speaking for a little over 6,000 locomotive engineers and something over 12,000 trainmen. In the first place, I think we expressed to the government, in our memorandum of the 27th of May of this year, general accord with the principles of unemployment insurance; so that I think we were all very glad when the speech from the throne forecast the intention of the government, if the constitutional highway was cleared, to bring down the necessary legislation this session and have it passed. I want to say, on behalf of the groups that I am speaking for now, that we are heartily in accord with the principles as enunciated in the bill. There has probably not been time to deal with all the various phases of it, and for that reason I am not going to attempt to go into the various phases of the bill. I should like to make this observation, because Mr. Moore has not only had more time to study it but has given more time to it than we have. I want to say that, in general terms, we are in accord with the observations which Mr. Moore made yesterday on behalf of the Trades and Labour Congress of Canada.

That brings me to possibly one observation that I wanted to make and emphasize—which I understood that he made himself—with respect to coverage. The act, as I understand it, applies only to those earning less than \$2,000 a year. I am concerned with having that increased to at least \$2,500. Let me digress long enough to say that I do not want the bill held up for the purpose of making that amendment, because that can be made afterwards, if necessary; because the most important part is to get the administrative machinery set in motion as quickly as possible, in my opinion and in the opinion of those I have the honour to represent. While I am not concerned with the man who is receiving \$2,000 a year—he is sure of that—I am concerned with the fellow who is receiving at the rate of \$2,000 or \$2,500 a year for three months of the year or six months of the year and then he finds himself removed from the path of self-reliance, and he is a charge upon the community. He may be making \$2,000 or at the rate of \$2,000 for six months of the year or even more, but when I tell you that there was a fluctuation of railway employees, in 1939, or 133,000 to 112,000, you will see there is a fluctuation there of people who are employed part of the time and not employed another part of the time. Probably many of you have seen the report of the Bureau of Statistics. The monthly average of railway employees for 1939—it increased from 109,489 to 117,983 or by 7.8 per cent. So as you see there alone, a fluctuation in the monthly average for one year. That fluctuation included a difference of 133,000 in certain months and 112,000 in other months, so if the Act were amended to include apart entirely from the potentialities I think there would be for creating and maintaining a fund by having the larger wage coverage, there would be a possibility of taking in a large number who while receiving a rate of \$2,000 or \$2,500 a year are not receiving that amount all the year around, and, therefore, they may be unemployed from three to nine months of the year depending upon the traffic and weather conditions.

I think there is another suggestion. I have not heard it given here. I am thinking in terms of the basis of computing compensation under our compensation laws across Canada. They make no distinction of the person who has \$3,000 or \$4,000 so far as his accident insurance is concerned. He may be injured just as seriously as the person receiving \$1,000 and his dependants may be just as worthy of compensation, but what they do is place a maximum on the amount, the basis for computing wages at \$2,000, in other words, for the purpose of insuring, and asking the employer to pay into the compensation fund. They pay on all employees who are engaged in the industries within the scope of the

Act. It seems to me that if those who had been responsible for the framing of the Act—and it has been a big responsibility—have not considered that they might consider it. There probably would not be time now to consider it with the desire to get through, but it might be considered at a time when more consideration might be given to it than perhaps could be given during the present session. The matter I am speaking of is taking in even up to \$3,000 but the benefits and the basis for assessing or taxing the employee would be on a basis of \$2,000. You would have a larger coverage and you would have a larger possibility as far as the creation and maintenance of your fund is concerned.

Mr. ROEBUCK: You would leave the schedule of contributions and benefits alone and just increase the eligibility to \$2,500?

The WITNESS: Yes. Now, I just want to repeat on behalf of those whom I represent that they expressed their hope that nothing will delay the enactment of this measure at the present session so that the administrative machinery may be set in motion as quickly as possible. We think that is very important. Just before concluding I want to make an observation with regard to the proposal that was submitted to the committee just as I entered the room. I did not hear it all, and therefore am not seized with all the implications. It affects the employees of the railway and it had to do with what was submitted on behalf of the railway association, I understand, by Mr. Rand, requesting certain exemptions for employees who might recover under chapter 37 of 1939, being an amendment to the Canadian National-Canadian Pacific Act. I am making this observation because I am disappointed that it was submitted at this time, particularly in view of the fact that the responsibility for adjudicating and adjusting all claims under that measure are assigned to a joint committee composed of representatives of the railways and representatives of the employees. I refer you to section 4, paragraph 7 of the Act which reads as follows:—

(7) The representatives of the National Company and the Pacific Company and the representatives of the interested employees shall form a permanent committee of adjustment which shall meet from time to time when occasion arises for the purpose of enquiring into all matters in connection with the interpretation, application or enforcement of the provisions of this schedule with respect to any such measure, plan or arrangement, and in the event that any dispute or difference arises in connection with any particular measure, plan or arrangement, including the interpretation, application or enforcement of any of the provisions of this schedule, such dispute or difference shall be referred to such committee which shall endeavour to bring about a settlement of the dispute or difference and to this end shall carefully enquire into all matters affecting the merits and right settlement thereof.

My point is that the railway association, and I say this advisedly, would have been well advised had they consulted that committee.

Mr. ROEBUCK: Did they not do so?

The WITNESS: No, because the representatives of the employees on that committee could not have moved in the matter until they had consulted the accredited legislative representatives, and, therefore, I am quite certain that they have not consulted with them at all; and in view of the larger responsibilities placed upon the joint committee which is already constituted it seems to me it was a little premature in submitting that at this time and urging that it be passed forthwith.

The CHAIRMAN: Thank you, Mr. Best, and we will give your representation consideration.

We will meet again at 8.30.

The committee rose at 6.15 to meet at 8.30 p.m.

[Mr. William L. Best.]

EVENING SESSION

The committee resumed at 8.30 o'clock p.m.

The CHAIRMAN: Gentlemen, I believe we have a quorum now. Last night we left off at sub-section (3) of section 52 on page 17.

Mr. JACKMAN: I suppose it was felt necessary to make a selection from among the superior court judges rather than county court judges. In a great many cases it is not a question of a principle of law exactly which is involved but rather one of fact.

The CHAIRMAN: The umpire, of course, is a pretty important official, and it is not a particular case which he undertakes, he undertakes all of them.

Mr. JACKMAN: Oh, there will be only one judge selected for the time being?

The CHAIRMAN: Yes, one judge for the whole of Canada.

Section agreed to.

Mr. GRAYDON: On that No. 3, Mr. Chairman, I think someone made the suggestion that there should be a particular term; I do not know whether we overlooked that or not.

The CHAIRMAN: The suggestion was that we might limit the term of the appointees.

Mr. ROEBUCK: It was further suggested that the Governor General may from time to time make these appointments, which would indicate that it was not for any definite time.

The CHAIRMAN: The opinion of Justice is this: It is not like the appointment of a judge which is for life; that the appointing power can revoke the appointment at any time. In other words, it is not as if we were putting him in for a lifetime appointment.

Mr. MACINNIS: The judge selected might decide to give up the work.

The CHAIRMAN: Even if he did not and it was desired to have his resignation it could be asked for.

On sub-section (4):

Section agreed to.

On section 53, sub-section 1:

Mr. ROEBUCK: The same objection I raised to the other section comes up also in connection with this one. The whole sections come together in one enactment. I find in that section 4 the objection which I raised to the previous section. However, I do not look on it as being quite as objectionable in this instance as I did in the other, because there are no administrative problems taken to court. It is purely judicial.

The CHAIRMAN: This is identical with the British Act.

Mr. HODGSON: It is section 41 of the British Act.

Mr. ROEBUCK: I am not going to object so much about that. If I understand these courts of referees aright they have no jurisdiction or duty other than to decide the other man's case; isn't that right, things come before them and they decide?

Mr. BROWN: Subject to further appeal.

Mr. ROEBUCK: Yes, subject to further appeal.

The CHAIRMAN: Shall sub-section 1 carry?

Section agreed to.

On sub-section (2) agreed to.

Sub-section (3) agreed to.

Sub-section (4) agreed to.

Sub-section (5) agreed to.

Section agreed to.

On section 54:

Mr. GRAYDON: On that section would the departmental officials give the committee more information as to the type of forms that will be provided in connection with claims?

Mr. HODGSON: All forms and regulations provided by the commission have to be approved by the Governor in Council before they are put into effect.

The CHAIRMAN: In other words, it will be a matter of regulation.

Mr. GRAYDON: I understand.

The CHAIRMAN: And those have not been evolved yet.

Mr. MACINNIS: Who was the insurance officer?

Mr. BROWN: He is a local officer in the employment office. He deals with local matters.

Mr. HODGSON: He is an important official.

Mr. REID: He will be a very important official.

The CHAIRMAN: Yes, he is.

Mr. HODGSON: He is not merely a clerk.

Mr. MACINNIS: How is the insurance officer appointed?

Mr. BROWN: He is to be appointed by the Civil Service Commission.

Section 54 agreed to.

On section 55:

Section agreed to.

On section 56:

Mr. REID: Regarding 56, there is a question I would like to ask there with respect to the period of fourteen days added to the nine which the man must put in before he could possibly receive benefit, would make it well over a month.

Mr. HODGSON: There is provision in the Act that where a question is pending final determination benefit may be paid notwithstanding the fact that the final decision has not yet been reached.

Mr. REID: But you have a fourteen day period of waiting.

Mr. HODGSON: He would receive the benefits during that time. Such is my understanding of the Act.

Mr. BROWN: It is identical with the British Act.

The CHAIRMAN: In other words he could receive the benefit after the appropriate waiting period even while a decision was pending.

Mr. REID: But first of all he makes a claim. It says in section 56, "if the insurance office is not satisfied that a claim ought to be allowed he may either reverse the claim (so far as practicable within fourteen days from the date on which the claim was submitted to him for examination) to the court of referees for their decision, or subject to the provisions of this section, himself disallow the claim:" I was thinking that if he had to wait all that time it might be difficult for him.

The CHAIRMAN: He would get it at the usual time, Mr. Reid.

Mr. REID: If he gets it that is all right.

The CHAIRMAN: I mean, that is my understanding. He gets it under the British Act.

Hon. Mr. HAYDEN: Supposing the decision goes against the man?

Mr. HODGSON: He would have to repay it. However, that procedure has created no trouble in the old country.

Mr. STANGROOM: Otherwise you could not pay him in advance.

Hon. Mr. HAYDEN: The other procedure would be a terrible one, if you were to keep a man starving pending a decision of the claim.

The CHAIRMAN: That is their idea, to prevent that.

Section 56 sub-section (1), including sub-sections (a), (b), (c) and (d) agreed to.

Sub-section (2) agreed to.

Clause 56 agreed to.

On section 57:

Mr. REID: Where does a man apply to for the time he is allowed at any time within twenty-one days of the date in which the decision of the officer is communicated to him?

The CHAIRMAN: He would apply to the local office.

Mr. ROEBUCK: I do not like that wording, "in the prescribed manner"; the manner of his appeal should be set out so that he would not have to find out what the details are to make his appeal.

Mr. MACINNIS: I imagine a form could be issued.

Mr. ROEBUCK: He ought to be able to appeal without formalities.

The CHAIRMAN: There would have to be some form.

Mr. ROEBUCK: He should not have to have a form.

Mr. GRAYDON: That might work against the interest of the workman.

Mr. ROEBUCK: When a man appeals against a sentence in our courts it does not matter how he phrases it, whether you have it in form or not, so long as you indicate that you want to appeal.

The CHAIRMAN: I imagine it would be a very simple form. It would not be like appealing to some superior court of appeal.

Mr. GRAYDON: The workman would not be using this Act anyway. He would be using the form.

Section 57 agreed to.

On section 58:

Mr. JACKMAN: It would appear that the only person left out is the employer. I don't suppose he has cause for appeal on any possibly contentious questions.

Mr. STANGROOM: He is represented in the court.

The CHAIRMAN: There would be no purpose in the employer appealing, do you think? He would have no interest in an appeal being launched.

Section 58 agreed to.

On section 59:

Mr. ROEBUCK: Does the fact of becoming a member of an association prevent in any way appeal to a court of referees? This section 59 deals with appeals to the umpire. I take it that this section would only apply in the case of an appeal to the umpire.

The CHAIRMAN: That is true. There is no appeal by the association.

Hon. Mr. HAYDEN: Not under section 58 (b).

The CHAIRMAN: Oh, yes.

Hon. Mr. HAYDEN: That reads:—

"At the instance of an association of employed persons of which the claimant is a member."

The CHAIRMAN: Oh, yes; section 58 is an appeal to the umpire. Section 59 defines an association which may appeal and which is in the discretion of the umpire.

Section 59 agreed to.

Section 60 (1) agreed to.

Section 60 (2) agreed to.

Mr. GRAYDON: Are these sections substantially similar to the sections in the Act of 1935?

Mr. HODGSON: They are substantially similar to the Act of 1935 and to the British Act.

On section 61:

Mr. MACINNIS: To what appeal does this refer?

Mr. BROWN: The appeal from the court of referees to the umpire.

Mr. ROEBUCK: These special reasons keep coming in here. This is the second time I have found them. There are special reasons in Section 58 and now the same thing is found in section 61.

The CHAIRMAN: I suppose "special reasons" could be interpreted as more or less of an extension of time for the filing of a chattel mortgage; you have to show some reason why you did not take an appeal within six months. In other words, it is not a matter that is taken for granted.

Mr. ROEBUCK: It is not merely because you want it.

The CHAIRMAN: No, just because you change your mind and finally come to the conclusion after six months that you want it.

Mr. ROEBUCK: When you go to the Supreme Court with special reasons I tell you that you have to have them.

Mr. POTTIER: I suppose that means "reasonable cause".

The CHAIRMAN: Well, something not nearly so strict as failure to file your chattel mortgage within ten days.

Section 61 agreed to.

Section 62 agreed to.

Section 63 agreed to.

Section 64 agreed to.

On section 65:

Mr. STANGROOM: This covers your point about payments ending at such a date.

Section 65 agreed to.

Section 66 agreed to.

On section 67:

Mr. POTTIER: Can you appeal by attorney at any of these hearings, or has it to be by personal appeal?

The CHAIRMAN: There are three ways provided: At the instance of an insurance officer in any case; at the instance of an association of employed persons, and at the instance of the claimant.

Mr. ROEBUCK: I have no doubt you could appeal by a lawyer.

The CHAIRMAN: I would think so; there is no prohibition.

Mr. ROEBUCK: In cases of workmen's compensation they rule out the lawyers.

The CHAIRMAN: And the Industrial Disputes Act.

Mr. ROEBUCK: Quite so.

The CHAIRMAN: But there is no ruling out here. It would be an extreme case where a man would wish to appeal through a lawyer; he could easily put in his personal appeal.

Mr. HODGSON: How many unemployed workmen could afford lawyers' fees?

Mr. ROEBUCK: Many of them. If you have a case with some merit in it the man's union will send its lawyer to appeal.

The CHAIRMAN: That is by association.

Mr. ROEBUCK: Or the employer.

The CHAIRMAN: There is nothing in this act prohibiting that.

Mr. HODGSON: That is permitted.

Mr. ROEBUCK: Is it permitted in England?

Mr. HODGSON: That is my impression, but it is not very generally done.

Mr. ROEBUCK: Perhaps it is not worth while.

Section 67 agreed to.

On section 68 (1):

The CHAIRMAN: The penalty is increased from \$50 to \$250 over the 1935 Act.

Mr. JACKMAN: You do not provide any option.

The CHAIRMAN: There is an option there.

Mr. ROEBUCK: Not in section 67.

Mr. HODGSON: This is a case of misrepresentation.

The CHAIRMAN: It is fraud.

Mr. JACKMAN: Do you not think a substantial money fine would be adequate in the circumstances?

The CHAIRMAN: The penalty is for imprisonment for a period not exceeding three months.

Mr. ROEBUCK: Putting him in jail for even one day is a serious matter.

The CHAIRMAN: I do not know about that, if he is guilty of fraud. You have to have some teeth in the Act, because it is going to cover wide territory.

Mr. JACKMAN: It is a very severe punishment, I should think, Mr. Chairman, for a man who may have told a falsehood involving a very small sum of money. It does not cover the principle or the moral turpitude. I do feel that a man who has not been in jail before, because he might make a mistake here, would be under a pretty severe penalty. I would suggest that it be left to the discretion of the judge to impose a fine. It is a serious thing to send a man to jail who has never been in jail before.

The CHAIRMAN: This is identical with the British Act.

Mr. GRAYDON: Under ordinary circumstances I do not think there is any option of a fine in the case of fraud, is there?

The CHAIRMAN: There are so many different forms of fraud, are there not?

Mr. JACKMAN: A man may be very badly in need of assistance and yet will go about it in the regular way and perhaps make some mis-statement. It seems too bad that he should have to suffer such a penalty.

Mr. ROEBUCK: Oh, yes, and he might state something that was not quite true. It is pretty hard to be accurate all the time.

The CHAIRMAN: Well, if there is no *mens rea* or no guilty mind, then he is not guilty.

Mr. ROEBUCK: That is quite different from a deliberate attempt to rob the country.

The CHAIRMAN: If you multiply that one case by 300,000 you will see that it is going to mean a great expense to the country.

Mr. ROEBUCK: Not if you fine them.

The CHAIRMAN: No, but you would have to have a pretty efficient detective force to find them. All this means is that in the administration of this Act and in drawing benefits a man must be honest.

Mr. ROEBUCK: Yes, but where some poor, ignorant, uneducated man comes along and makes a mis-statement—

The CHAIRMAN: Would he knowingly do it? Is that not a matter of judicial determination? I think the best way to punish a man is to take away the money he is going to get.

Mr. JACKMAN: Yes, but someone might come to his rescue and provide him with funds.

The CHAIRMAN: I think that is the same as the British Act. I do not think it will be imposed upon. You have all kinds of magistrates, of course.

Mr. JACKMAN: I cannot say that I like that reference. Conditions there are not always similar to conditions here, nor is the national theme, nor is the national morality. I do not think we should allow the English to do our thinking for us all the time. I think we must apply our own conditions to our own institutions in Canada.

The CHAIRMAN: But they have had experience on these matters since 1911. Misrepresentation under the Act is treated in identically the same way in both countries. It is absolutely identical.

Mr. POTTIER: I am afraid that if you put a low enough fine a man might make a false answer and say: "If I am caught, I will pay it."

The CHAIRMAN: Yes, "if I am caught."

Mr. POTTIER: I think the idea of this is all right.

Mr. GRAYDON: I do not think you will have any trouble, because my experience has been that the average working man is as honest or perhaps more honest than almost any other class in the country.

Mr. ROEBUCK: That is, you do not think you will have any difficulty so far as fraud is concerned?

Mr. GRAYDON: No.

Mr. ROEBUCK: I do not think you will either. I would like to give the magistrate a chance to give him a little touch up and let him go; not let him go without any punishment at all.

The CHAIRMAN: In order to make a fine equivalent to the maximum of three months you are going to have to make it so high that it would look to be out of proportion.

Mr. JACKMAN: You can leave it the same as you have it here, a fine not exceeding \$250.

The CHAIRMAN: That looks very high. That is against the company, but this is against the individual.

Mr. ROEBUCK: Say a fine not exceeding \$25 or imprisonment for three months. Surely that is enough.

Mr. POTTIER: I suggest we leave it as it is.

Mr. ROEBUCK: What does the committee think of it?

The CHAIRMAN: Will those who favour putting in an alternative to the fine please signify? I see three for and four against. We shall leave it as it is. I do not think it is important enough to change it.

Section 67 agreed to.

Section 68 (1) agreed to.

On Subsection 2:

Mr. ROEBUCK: Here the employer can pay the fine.

The CHAIRMAN: Of \$250. He is subject to both. He is subject to more than the worker.

Mr. ROEBUCK: Not necessarily.

The CHAIRMAN: Would not \$250 or three months look a little ridiculous in the preceding section?

Mr. ROEBUCK: Yes, but I would suggest \$25.

The CHAIRMAN: But you would have one section at \$25 and three months and the next section at \$250 and three months.

Mr. GRAYDON: Does this mean that the employer can pay a fine without going to jail?

The CHAIRMAN: He is subject to one or the other, or both, in the discretion of the magistrate.

Mr. GRAYDON: Why the distinction between the employee and the employer?

The CHAIRMAN: Do you think that a provision of \$250 or three months imprisonment, or both, would make good sense in the preceding section?

Hon. Mr. HAYDEN: It is a little different. In the preceding section the penalty is really for a false statement, almost tantamount to perjury. Here it is for failing to make a contribution.

Mr. REID: In that section an employee could be involved as well as in section 67.

Hon. Mr. HAYDEN: He might.

The CHAIRMAN: Yes; in making a false statement.

Section 68 agreed to.

The CHAIRMAN: On section 69.

Section agreed to.

Mr. GRAYDON: I understood a previous section prevented in any event the transfer of insurance cards.

The CHAIRMAN: Yes, assignments to another working man.

Mr. GRAYDON: Yes. In that event, how could a person buy or sell cards if it is prevented?

The CHAIRMAN: This fixes the penalty.

Section agreed to.

On section 70, subsection 1.

Subsection agreed to.

Subsection 2.

Subsection agreed to.

Subsection 3.

Subsection agreed to.

Section agreed to.

On section 71.

Mr. REID: Why are you waiting three years?

The CHAIRMAN: That is the limitation; you cannot collect after that. It is the limitation.

Section agreed to.

On section 72, subsection 1. This section deals with civil proceedings by an employee against the employer for neglect to pay. Shall the subsection carry?

Subsection 1 agreed to.

Subsection 2.

Subsection agreed to.

Subsection 3.

Subsection 3 agreed to.

Subsection 4.

Subsection agreed to.

Section agreed to.

On section 73.

Mr. GRAYDON: Mr. Chairman, does not this section contravene some of our usual regulations that say a warrant must be obtained before entry can be made into a private dwelling?

Mr. ROEBUCK: No. This is other than a private dwelling.

The CHAIRMAN: Shall the subsection (a) carry?

Subsection (a) agreed to.

Subsection (b).

Subsection (b) agreed to.

Subsection (c).

Mr. POTTIER: This subsection says, "to examine orally." That does not mean under oath, does it? What does that mean?

The CHAIRMAN: The inspector has no right to administer the oath.

Mr. POTTIER: What happens if the fellow does not answer? Is there contempt or anything of that kind?

Mr. HODGSON: Section 75 provides for that.

Subsection (c) agreed to.

On subsection (d).

Mr. ROEBUCK: I do not like this.

Mr. JACKMAN: A man can incriminate himself without being warned?

The CHAIRMAN: I do not think he can incriminate himself by giving statements. It is not like making a statement to a policeman.

Mr. ROEBUCK: He is not under arrest.

Hon. Mr. HAYDEN: He may have to claim privilege at the time.

The CHAIRMAN: I do not think he would.

Hon. Mr. HAYDEN: I do not know. It might be used against him afterwards.

The CHAIRMAN: Any statement that any person uses at any time may be used against him afterwards.

Hon. Mr. HAYDEN: Unless he makes reservation.

The CHAIRMAN: If I make a statement to you it does not matter if I say I am making this freely or making it with certain reservations.

Hon. Mr. HAYDEN: It would have to be an incriminating statement, of course.

Mr. JACKMAN: A man may be called into a room alone. There would be certain formalities about it.

Mr. POTTIER: He has to sign a declaration; is it a signed declaration?

The CHAIRMAN: No.

Mr. GRAYDON: In that event the inspector would probably have him take an oath.

The CHAIRMAN: I do not think that it refers to a statutory declaration.

Mr. ROEBUCK: It is not a solemn declaration.

The CHAIRMAN: Just declaring the truth.

Mr. ROEBUCK: Here he is examined. That means he is examined orally. After he has done a whole lot of talking the chap says to him you sign that everything you said is true.

The CHAIRMAN: Yes.

Mr. ROEBUCK: That would be an awful procedure.

The CHAIRMAN: It would not be an ordinary case; it is only in extraordinary cases.

Mr. ROEBUCK: He is the inspector, and there is no telling what kind of an inspector he would be.

The CHAIRMAN: You would not suggest he should not have the power to ask him to sign the statement stating it is true.

Mr. ROEBUCK: Can he do that whether he has the power under this act or not? It does not say in this clause that a person whom he finds in the premises must answer the questions. It says he may examine orally. This is what the section says: "to examine orally, either alone or in the presence of any other person, as he thinks fit, with respect to any matters under this Act, every person whom he finds in any such premises or place, or whom he has reasonable cause to believe to be or to have an employed person, and to require every such person, to be so examined, and to sign a declaration of the truth of the matters in respect of which he is so examined."

Mr. POTTIER: That is a terrible thing. We had the same thing in the Customs Act and it was used for that purpose.

Mr. ROEBUCK: And we have it in the Combines Act; it is a horrible thing. They are not using it, it is so objectionable.

The CHAIRMAN: I do not think it is meant to be a solemn declaration.

Mr. ROEBUCK: It has the elements attached to it. I should say a man could go to jail on the strength of that.

The CHAIRMAN: He could not go to jail on it because he is only liable to a fine not exceeding \$25.

Mr. ROEBUCK: That is if he won't talk. But if he does talk he may put himself into jail.

Mr. POTTIER: Why should not there be a provision of some kind to the effect that what he says may not be used in a court of law?

Mr. MACINNIS: Perhaps this may not be used at all. He is being examined for information. The inspector is examining him to find out if the employer is carrying out the law. As it is to-day if the employees give any information they are dismissed. They do not dare to give evidence even in court. Here you have an employer who may not be carrying out the law and thereby makes the act unworkable. How are we going to get the information if we cannot get it in this way?

The CHAIRMAN: We have brought in the 1935 act and—

Mr. POTTIER: Is the 1935 act like this?

The CHAIRMAN: Except that we put in the word "oral."

Mr. ROEBUCK: What happens is this: a man writes it down and shows it to the chap and says is that true? well, sign it. That is a little different from coming in and throwing some questions at him and saying I remember your answers. The way it is done here the inspector comes in and fires a series of questions at the man and then asks him to sign a declaration that what he says is true. That is different from putting it all down in writing and then asking him to sign it. I do not like this oral declaration.

The CHAIRMAN: Would you sooner have it out? The Department of Justice suggested it.

Mr. ROEBUCK: I would rather leave it out.

Mr. STANGROOM:—

The CHAIRMAN: The reporter cannot get a word you say, Mr. Stangroom.

Hon. Mr. MACKENZIE: I think this whole section is protection for the man.

Mr. HODGSON: This has to do with the employer who is not complying with the act of putting the stamps on. The employee has nothing to do with the compliance with the normal routine.

The CHAIRMAN: Do you want to let it stand?

Mr. ROEBUCK: This is extraordinary. He is asked to sign a declaration of the truth on which he was orally examined.

The CHAIRMAN: What is extraordinary about it?

Mr. ROEBUCK: The extraordinary thing is that he is orally examined with no reporter present to take it down and then is asked to declare in effect that what someone else said he said is true.

Mr. HODGSON: He could refuse to sign until he believed the declaration embodied what he said.

Mr. ROEBUCK: It does not say that here at all. It says here he is examined orally and then he is required to sign.

Mr. MACINNIS: If he does not think that what he said is down—

Mr. ROEBUCK: It is not down. He is examined orally.

The CHAIRMAN: But it must be down.

Hon. Mr. MACKENZIE: He can refuse to sign. This is real protection for the man.

The CHAIRMAN: If you strike it out then you would simply have the words: "any person authorized by the commission to act as an inspector shall, for the purpose of the execution of this act, have power to do all or any of the following things, namely:—to examine either alone or in the presence of—"

Mr. GRAYDON: My impression is this is protection for the worker. After all, he does not have to rely on some loose statement made by an inspector. In view of that I feel like supporting this section.

The CHAIRMAN: The inspector has to put it in writing. It protects the worker. At least, it protects divided opinion as between two people.

Hon. Mr. HAYDEN: There is no penalty if he does not sign.

The CHAIRMAN: No, there is no penalty.

Mr. ROEBUCK: Oh, yes. He is obstructing.

The CHAIRMAN: No. Surely it is not obstructing to refuse to sign a statement.

Mr. ROEBUCK: Why would it not be better to say, "and to sign a statement of the matters in respect of which he is examined."

Hon. Mr. HAYDEN: That does not make it better or worse.

Mr. ROEBUCK: Or a written statement.

The CHAIRMAN: I do not think it matters.

Hon. Mr. MACKENZIE: The same language has been in the statute in Great Britain since 1911 and has stood the test there.

Mr. ROEBUCK: I do not like this draftsmanship; but if you want it, all right.

The CHAIRMAN: All right. Is that agreed to?

Sub-section (c) agreed to.

On sub-section (d):

Mr. ROEBUCK: It says "to exercise such other powers as may be necessary for the carrying of this act into effect." Fancy giving an inspector the right to do anything he thinks is necessary! Take the fellow downstairs!

Mr. HODGSON: He is under the commission at all times. Subsection (d) merely means that he may exercise whatever powers are needed to secure compliance.

The CHAIRMAN: He is not much use as an inspector if he has no power. Is subsection (d) agreed to?

Mr. ROEBUCK: I do not agree to it. I think it is giving him too large powers. I have seen inspectors, policemen and officials abuse their office too much.

The CHAIRMAN: There is a difference between a policeman and an inspector under the Unemployment Insurance Act, surely. An inspector under the Factories' Act has to have certain authority.

Mr. POTTIER: Is that the same as the section in the 1935 act?

Mr. HODGSON: Yes, and the British act.

Mr. GRAYDON: Do you happen to recall if there were any objections to that clause in the 1935 deliberations?

Mr. HODGSON: Section 65, subsection 1 of the British act has stood since 1911.

Mr. JACKMAN: What other powers could he use, Mr. Chairman?

Mr. ROEBUCK: It is a blank cheque. A policeman has not a blank cheque. A policeman cannot do a thing that he is not authorized to do.

Mr. GRAYDON: I should not like to see this government use a blank cheque.

The CHAIRMAN: He is an employee of the commission.

Hon. Mr. MACKENZIE: Shall the section pass, Mr. Chairman?

The CHAIRMAN: Is the subsection agreed to?

Mr. ROEBUCK: Oh well, if everybody else is agreed, I might as well.

The CHAIRMAN: Shall the section carry?

Mr. JACKMAN: Of course, it does not mean that anything will be added to "exercise such powers under this act" because there are no powers given.

The CHAIRMAN: I did not catch that, Mr. Jackman.

Mr. JACKMAN: We could not add to that.

The CHAIRMAN: "To exercise such other powers under this Act?"

Mr. JACKMAN: Yes; because they are not given, are they?

The CHAIRMAN: No. It means the powers that are necessary to carry the act into effect.

Mr. POTTIER: I suppose that is to say you have only the power to carry the act into effect?

The CHAIRMAN: Certainly.

Mr. POTTIER: You have got to come within that sphere.

Mr. ROEBUCK: I suppose what it really means is that he shall do such other acts. I do not like the phraseology because of the power associated with going into a place other than a dwelling house and commencing to examine parties. The word "power" there is very loose.

Hon. Mr. HAYDEN: The first question he has got to have answered is: Are there any insured persons there? If he finds out there are not, he has got to stop. If he finds out there are, he is there for the insured person.

Mr. STANGROOM: Perhaps you should say "powers of inspection."

Mr. ROEBUCK: I do not think it means that. I think it means "do such other acts," which will be such other acts as are necessary.

The CHAIRMAN: Well, is that agreed to?

Subsection (d) agreed to.

Section 74 agreed to.

The CHAIRMAN: Then section 75—penalty for delay or obstruction of inspection.

Mr. ROEBUCK: All he is subject to there is \$25. All right.

Section 75 agreed to.

Section 76 agreed to.

On section 77 (1):

Mr. POTTIER: In reference to that fund, may I ask if it carries interest?

The CHAIRMAN: It is a separate fund invested under the direction of the investment committee and doubtless it will all be invested in dominion government securities. That is where the argument of the Canadian Manufacturers' Association falls down. This will all be invested in government securities.

Subsection (1) agreed to.

On subsection (2):

Mr. POTTIER: Is there any chance that the procedure adopted in the superannuation fund will be adopted here or is this money credited?

The CHAIRMAN: No, it will not be the same, because this fund is earmarked. It will be in government securities.

Hon. Mr. HAYDEN: It is just a special account in the consolidated revenue fund.

The CHAIRMAN: Yes, that is right. It is just like annuities.

Hon. Mr. HAYDEN: It is a matter of bookkeeping.

Mr. POTTIER: The credit of the federal government will be used for the portion of the 30 per cent that is put up or does it put up security? Is it different from the superannuation?

Mr. JACKMAN: If it is put into the consolidated revenue fund, where do you get your interest?

The CHAIRMAN: That is one thing that I have been wondering about. The Bank of Canada, of course, are the fiscal agents; and I rather thought that it would be invested by them in government securities and the interest accrue to the fund.

Mr. BROWN: With regard to any surplus money, they have power to invest any money that is available for investment. For instance, if the fund produces a surplus or has not been drawn upon, they have power to invest it.

Mr. MACINNIS: That is provided for.

The CHAIRMAN: The credits of the fund they can invest. It is not just a surplus.

Mr. POTTIER: There will always be a surplus.

The CHAIRMAN: There will always be a fund.

Mr. BROWN: They do not invest that.

Hon. Mr. HAYDEN: Mr. Chairman, the power of investment is in the hands of the commission, apparently.

The CHAIRMAN: It is the investment committee.

Hon. Mr. HAYDEN: It says so in 78.

The CHAIRMAN: Section 78, (2).

Mr. MACINNIS: At the bottom of (1) it says "be invested by the commission in obligations of, or guaranteed by, the government of Canada, and investments so made may be sold or exchanged for other like securities and all interest received on the investments shall be credited to the fund".

The CHAIRMAN: And this committee authorizes their investment.

Hon. Mr. HAYDEN: I notice that in sub-section (1) it says that the moneys not currently required shall be invested by the commission.

The CHAIRMAN: That is right. And then in (2) "on the authorization of the investment committee." The reason for that, I presume, is that the money, when it comes in, is the property of the commission. It must be invested by them. It can only be so invested under the authorization of the investment committee.

Hon. Mr. HAYDEN: The commission takes responsibility for the nature of it.

The CHAIRMAN: I would say the committee would. The reason the commission makes the investment is that it is their money. But they can only invest it under the authorization of the committee.

Hon. Mr. HAYDEN: If there is any loss on the investment, it is the loss of the commission.

The CHAIRMAN: It would be the loss of the commission, because it is their money. If I invest on your advice and lose, I lose the money. I may have a moral claim against you.

Mr. GRAYDON: Not me.

Mr. JACKMAN: What I am trying to build up on behalf of the fund is some interest account, because you may have many millions of dollars in there. As to the government portion, it is purely a bookkeeping entry, a debit charged to the consolidated fund. It is not paid over to the commission, as to the government's portion.

The CHAIRMAN: Oh, I think so. In that provision earlier in the act—what is the number of that provision where the government pay the money in?

Mr. HODGSON: Sub-section (2).

Mr. JACKMAN: "The Minister of Finance shall from time to time credit all moneys received from the sale of unemployed insurance stamps and all contributions paid otherwise than by means of such stamps".

The CHAIRMAN: Where are you reading from?

Mr. JACKMAN: I am reading section 77.

The CHAIRMAN: Oh, yes.

Mr. JACKMAN: Not only the government portion, but also all moneys received from the sale of stamps; and that is simply a credit item in the consolidated revenue fund which will not draw interest, because it says later in section 78 "the Minister of Finance may pay out of the fund claims for insurance benefits and refunds of contributions as provided for by this act but no other payments shall be made a charge on the fund".

The CHAIRMAN: I do not think that follows, Mr. Jackman. Take the annuity payments going into the consolidated revenue fund; they draw interest.

Mr. MACINNIS: The money provided by the government is credited to the fund.

Mr. JACKMAN: If you could get 4 per cent or 3 per cent or $2\frac{1}{2}$ per cent, it is going to be quite a sweetener for the fund.

The CHAIRMAN: There is no question about that. But is your argument that this fund as a whole will not draw interest or that the proportion which the government contributes will not draw interest?

Mr. JACKMAN: As I read the act, the proportion which the government contributes and also the proceeds from the sale of stamps. That money goes into the consolidated revenue fund.

The CHAIRMAN: The proceeds from the sale of stamps covers the whole fund. That is the whole fund, except such amounts as may be paid by cheque, such as the railways.

Mr. BROWN: If I may suggest it, does not section 78 clear the situation substantially? In that it provided that credits in the fund not currently required for the purpose of the act—that is for outgo—may be invested. That is all you have to invest.

Mr. MACINNIS: That includes all moneys going into the fund. It includes the government's share as well as the employee's or the employer's share.

The CHAIRMAN: All interest received in investment should be credited to the fund.

Mr. POTTIER: Where does it say that the government has to put up its part?

The CHAIRMAN: Subsection 2 of 77.

Mr. POTTIER: One-fifth?

Mr. BROWN: Twenty per cent.

Mr. JACKMAN: Would it not be possible to arrange with the Department of Finance for some stated interest rates?

The CHAIRMAN: I imagine that would be done, but I doubt if we can put it in the Act.

Mr. JACKMAN: The investment committee that is mentioned here might feel that it was better to buy short term treasury certificates at one-half of 1 per cent per annum, but if you could get a rate of $2\frac{1}{2}$ per cent it would be all right.

The CHAIRMAN: That is true. I suppose if they buy treasury bills it is because they will require their money in the immediate future. I suppose that depends upon the condition of the bond.

Section 78, subsection 1 agreed to.

Subsection 2 agreed to.

Subsection 3 agreed to.

Subsection 4 agreed to.

Section agreed to.

On section 79:

Mr. ROEBUCK: The securities mentioned there are pledged with the consent of the Minister of Finance. They may pledge securities of the fund with the Bank of Canada. I suppose that means the promissory note of the commission, does it not?

The CHAIRMAN: No, my impression is that that means the securities held, bonds, Dominion bonds presumably that are held under the surplus of the fund on hand.

Mr. ROEBUCK: When they have run out of them how do they get money?

The CHAIRMAN: Oh, well—

Mr. ROEBUCK: They must have borrowing power.

The CHAIRMAN: They have to approach the government of Canada if it comes to that point. I am rather optimistic that they will not have to do it.

Hon. Mr. HAYDEN: You cannot get an advance without security.

Mr. ROEBUCK: I suppose the second part of that section explains it, "The Minister of Finance may make advances to the fund out of the unappropriated moneys in the consolidated revenue fund on such terms and conditions as the Governor in Council may decide."

Mr. BROWN: In England when they got behind they had to go to the government and borrow.

Mr. ROEBUCK: Would it not be an awful thing if they had to close their doors because of some small amount?

The CHAIRMAN: In an emergency they could get a governor general's warrant, but I do not think you could commit parliament in advance. Shall section 79 carry?

Section agreed to.

Section 80. This is a new one covering the necessity for an annual report to parliament.

Section agreed to.

Section 81, agreed to.

Section 82 agreed to.

Section 83(1) agreed to.

Subsection 2 agreed to.

Subsection 3 agreed to.

Mr. ROEBUCK: What have they got against members of parliament?

The CHAIRMAN: The committee must be kept free from political matters of any kind.

Mr. GRAYDON: Do I understand that this committee will be appointed on an entirely non-political basis?

The CHAIRMAN: Always.

Hon. Mr. MACKENZIE: Just as our present committee has been appointed.

Subsection 5 agreed to.

Subsection 6 agreed to.

Subsection 7 agreed to.

On subsection 8:

Mr. ROEBUCK: Here is where I come in.

The CHAIRMAN: We will let that stand and consider it later. Subsection 8 of section 83 stands.

Subsection 9 agreed to.

Subsection 10 agreed to.

Mr. JACKMAN: I hope you will give serious consideration to Mr. Roebuck's argument and that of Mr. Wolfenden in regard to substantial payments.

The CHAIRMAN: I think so too. My thought would be that we should put in a clause that such an amount should be paid as may be determined by the Governor in Council, or something to that effect.

Mr. ROEBUCK: I would rather put the amount in.

The CHAIRMAN: Mr. Wolfenden made a pretty good case for the necessity of having a good man. However, we will let that stand and discuss it later.

Section 84(1) agreed to.

Subsection 2 agreed to.

Subsection 3 agreed to.

Section 85(1) agreed to.

Subsection 2 agreed to.

Mr. REID: Why is it four weeks? "Every such report shall be laid before parliament within four weeks," and in another case it is fifteen days. This is being laid before parliament for the benefit of the House of Commons and the Senate.

The CHAIRMAN: This is not of such immediate need as the other one.

Mr. JACKMAN: I understand that the rates of benefits set forth in the schedule cannot be varied without parliament's assent?

The CHAIRMAN: That is true; parliament has to pass them.

Mr. JACKMAN: Even if you saw that the fund was becoming insolvent you could not alter it.

The CHAIRMAN: Parliament alone can do it.

Mr. JACKMAN: Is that the way it is in the English Act?

The CHAIRMAN: Yes.

Section 85 agreed to.

Section 86 (a) agreed to.

Subsection (b) agreed to.

Section 87 agreed to.

Section 88(1) agreed to.

Mr. REID: They are to designate who the workers may be. Does the commission know that the workers are those coming under the Act and insured?

Mr. HODGSON: The employment service is not only related to insured persons.

The CHAIRMAN: It goes beyond the Act.

Subsection 2 agreed to.
Subsection 3 agreed to.
Section 89 (1) agreed to.
Subsection 2 agreed to.
Subsection 3 agreed to.
Subsection 4 agreed to.
On section 90:

Mr. REID: Is that a separate committee?

The CHAIRMAN: Yes.

Subsection 1 agreed to.
Subsection 2 agreed to.
Subsection 3 agreed to.
On subsection 4:

Mr. GRAYDON: Subsection 4 of 90 says, "No member of any committee... shall receive any payment or emolument for his services, but each member of the National Employment Committee or of any regional committee shall receive such payment for travelling and other expenses in connection with the work of his committee as may be approved by the Governor in Council."

That "other expenses" will not mean living allowance, will it?

Mr. HODGSON: He receives definitely no payment or emolument for his services.

Subsection 4 agreed to.
Section 91(1) agreed to.
Subsection 2 agreed to.
Subsection 3 agreed to.
Subsection 4 agreed to.

Mr. JACKMAN: I would like to revert back to the advisory committee. I do not see any specific section there allowing them to make expenditures to get extra advice. They have to make a report.

The CHAIRMAN: I think there is something.

Mr. STANGROOM: It is 83(9).

Mr. JACKMAN: The regional committee or the National Employment Committee will not receive any remuneration at all?

Mr. HODGSON: No.

Mr. JACKMAN: Are you expecting any difficulty in getting men to serve voluntarily?

Mr. BROWN: As a matter of fact, under an arrangement with the province the expenses are paid for coming to Ottawa, but nothing more than that.

Section 92(a) agreed to
Subsection (b) agreed to.

Mr. GRAYDON: Are these all the same as the 1935 Act?

Mr. HODGSON: Yes.

On subsection (c):

Mr. REID: Are those three last words correct? "In the case of a person in receipt of insurance benefits, of the benefits."

The CHAIRMAN: That is correct.

Subsection (d) agreed to.
Subsection (e) agreed to.
Subsection (f) agreed to.
Subsection (g) agreed to.
Subsection (h) agreed to.

Mr. ROEBUCK: I notice in section 97 that, "the commission may require any person to make written returns of information deemed by the commission to be necessary for the purpose of this Act, and failure to comply with any such request

shall be an offence against this Act and shall on summary conviction...." I thought there should be power to make regulations in regard to that most important function of returns of information.

The CHAIRMAN: There is nothing here that covers that, is there?

Mr. ROEBUCK: I thought not when I read it.

The CHAIRMAN: Under 97 we require returns. What Mr. Roebuck suggests is that there is no power to make regulations.

Mr. HODGSON: Under 92 there is additional power to make regulations.

The CHAIRMAN: Mr. Roebuck's point is that the commission may require any person to make written returns of information, and he says there should be some regulation which the commission may make.

Hon. Mr. HAYDEN: You could put that in to section 97.

The CHAIRMAN: Yes, we could. That the commission may make regulations to require any person to make written returns.

Mr. ROEBUCK: The next section says that any fine imposed under this Act or regulations made thereunder shall unless otherwise provided be disposed of as the Governor in Council may direct.

The CHAIRMAN: At any rate shall we consider putting it into 92, unless it comes under (i) generally for carrying this Act into effect?

Section 93 (1) agreed to.

Subsection 2 agreed to.

Section 94 (1) agreed to.

Subsection 2 agreed to.

Section 95 agreed to.

Section 96 agreed to.

On section 97:

Mr. ROEBUCK: Section 97 is an important clause in the hands of this committee, and I am under the impression it should be very wide. It reads, "The commission may require any person to make written returns of information...." and I would add, "to answer all questions". "....deemed by the commission to be necessary...." and I would add to that, "within such time as may be limited by the commission."

Hon. Mr. HAYDEN: If we simply said, "generally to make regulations," that would give them the power to do that.

Mr. ROEBUCK: Yes, it would; but there is no power in this section for them to make regulations.

The CHAIRMAN: What would be the distinction between asking them to make returns of information and answer all questions?

Mr. ROEBUCK: I think there is a distinction, Mr. Chairman. It may be a fine one. I may ask you a series of questions and you may make a speech in which the information is contained, but that is not a seriatum answer to my questions.

Mr. HODGSON: Failure to comply with any such request is provided for.

Mr. POTTIER: It seems to me that you must provide a period of time within which the reply is to be made.

Mr. ROEBUCK: You must do that or the thing falls flat.

The CHAIRMAN: Is not "within a reasonable time," the yardstick?

Mr. HODGSON: The commission may require returns of information demanded by the commission to be answered; so the commission decides everything relating to the time allowed.

Mr. ROEBUCK: I think the chairman's view there is the correct one, that he must apply within a reasonable time before he can be prosecuted.

Mr. HODGSON: He is not prosecuted, is he?

Mr. ROEBUCK: Yes. If some regulation renders him liable he would have to show in each case that he would have a reasonable time with a view to his circumstances, not the commission's circumstances.

Mr. JACKMAN: Reasonable time might vary so much with respect to different types of information.

Hon. Mr. MACKENZIE: Exactly. Time will be decided of course in the request for the return of information; otherwise, he would not be liable for the penalty that is provided.

The CHAIRMAN: If you wanted to tie him down in number of days it might be so long as to more or less hamper him.

Mr. ROEBUCK: You might limit the time within which that information shall be given.

On section 96: carried.

Section 97 carried.

Section 98 carried.

Section 99:

The CHAIRMAN: Now, this is the one that we changed this afternoon. I have the section as finally amended here before me.

Mr. GRAYDON: Before we deal with that section may I just take the opportunity of correcting the report of the committee of yesterday at page 162, about the middle of the page, where I asked the question: "Have you given any consideration to the advisability from the standpoint of draftsmanship as to whether or not any foreign country should be referred to in specific terms?" The question I really asked was whether or not an act or legislation of any foreign country should be referred to in specific terms.

The CHAIRMAN: That change will be made and a note made in the minutes.

On section 99: this involves an amendment. There was a change about arrangements. We agreed to that this afternoon, gentlemen. Subject to that shall section 99 pass?

Carried.

Section 99 as amended agreed to.

Section 100 carried.

Section 101 carried.

Section 102 carried.

The CHAIRMAN: There is an amendment there (at line 7 on the page). The word "fixed" is to be changed to the word "prescribed".

Section as amended agreed to.

Mr. ROEBUCK: I suggested to the officers of the department here, to Mr. Brown, I think, that he enquire into the question as to whether the Summary Convictions Act should be read into this for the purpose of collecting penalties.

Mr. BROWN: I did not get a chance to do that. We had an hour and a half between the two meetings and we were not able to get that far.

The CHAIRMAN: We can take that up to-morrow morning.

Mr. ROEBUCK: Yes, it ought to be studied.

The CHAIRMAN: All right.

Mr. ROEBUCK: The Act itself allows a conviction to be registered on summary trial, but that is as far as it goes.

The CHAIRMAN: I think it is important to consider that.

Mr. ROEBUCK: I would know what to do in connection with a provincial act but I am not so sure about this.

The CHAIRMAN: We will go into that to-morrow morning. I imagine we can go through the schedules in no time.

Part I, schedule (a): agreed to.

Sub-section (b): agreed to.

Sub-section (c): agreed to.

Part II:

Mr. ROEBUCK: On the first schedule, Part I, you will observe that the second schedule has the sections to which they refer—section 17 for instance. You will notice that in the second schedule. Now, the first schedule is section 13. I do not see why it should not be inserted there. It would be a convenience.

The CHAIRMAN: I do not just follow that.

Mr. ROEBUCK: If you look at the second schedule you will see in brackets, (section 17).

The CHAIRMAN: Oh, yes.

Mr. ROEBUCK: That is a great convenience over a number of years.

The CHAIRMAN: The difficulty with that is that this is a general definition of every one who is employed in Canada. It is pointed out that the reference is to part II, because the whole thing would be subject to part II. You would have to mention about twenty or thirty sections in each one.

Mr. ROEBUCK: You see, section 13 says:—

Subject to the provisions of this Act, all persons who are employed in any of the employments specified in Part I of the first schedule to this Act, not being employments specified as excepted employments in Part II of that schedule shall be insured against unemployment in manner provided by this Act.

And now, you cannot read page 33, the first schedule, and know what that section means yet, it is a part, as it were, of section 13.

The CHAIRMAN: I do not see that there is any objection to putting that in, section 13, just the reference. I think we ought to be very careful there. If we put section 13 in there might be other sections in part II that we might have to refer to as well.

Mr. HODGSON: I think so. It is now exactly as it stood in 1935.

The CHAIRMAN: I do not think we could casually put that in without reading the whole of part II, do you see; the other sections would have to be referred to.

Mr. ROEBUCK: If the officers do not think that desirable I will not insist. Is this Part I the section which excepts all the employees of any particular body from the operation of the Act? I find it rather hard to understand it. You cannot understand either part I or part II unless you turn to the covering sections. That is why I think there should be a specific connection. You have to read section 13 before part I becomes understandable; and the same applies in respect to section 2.

The CHAIRMAN: Was there something you want in connection with this part I, Mr. Jackman?

Mr. JACKMAN: In this part I, the schedule excepts from the operation of the Act all employees of political bodies throughout Canada?

The CHAIRMAN: No. In part I it says all employees of the government of Canada in the excepted section are those that would be under the Civil Service Commission. This would apply to all workers employed by the Department of Public Works or day labourers employed by the Government of Canada. It would not apply to those that were under the Civil Service Commission because they are excepted in the next part.

Mr. GRAYDON: There was one point that arose in the course of the discussion I believe on the first day we sat, and I was wondering if the departmental officials would be good enough to clear that point up for us. What is the difference

between a contract of service and a contract for services? I would like to have a clear explanation to get what it is.

Mr. STANGROOM: A contract of service is quite distinct from a contract for services, and the following quotation from the judgment of a learned Lord Justice indicates certain essential differences:—

A contract of service must be distinguished from a contract for services, and the following quotations from the judgments of two learned Lords Justice indicate certain of the essentials of a contract of service and the distinction between that and a contract for services,—

“a servant is a person subject to the command of his master as to the manner in which he shall do his work and the greater the amount of direct control exercised over the person rendering the services by the person contracting for them the stronger the grounds for holding it to be a contract of service, and similarly the greater the degree of independence of such control the greater the probability that the services rendered are of the nature of professional services and that the contract is not one of service.” The extent of the control exercised by the employer is the essential factor. A requirement of personal work and an inability to delegate duties are not conclusive of a contract of service.

Mr. GRAYDON: Well now, in that case, Mr. Hansell raised a question yesterday with respect to a minister—not of the Crown, but of the church—perhaps there is not a great distinction (perhaps that can be passed over); and the answer that he got yesterday from one of the departmental officials was that that would be a contract for services rather than a contract of service.

The CHAIRMAN: As a professional man.

Mr. GRAYDON: Do the professional men come under that category of contract for services?

Mr. STANGROOM: I would say so, yes.

Mr. GRAYDON: What about members of parliament in regard to that? There is a point in that, because provincial members of parliament get less than \$2,000, and the point arose in my mind as to whether or not they would be included in that group.

Mr. STANGROOM: Would they say they are subject to unemployment?

Mr. GRAYDON: I should think it is obvious they are subject to unemployment.

Mr. BROWN: The relationship of employer and worker is not a contract for services, such as a doctor or lawyer or an actuary; there is something distinguishable from the arrangement that contemplates a contract of hire in the relationship of master and servant.

Mr. GRAYDON: Perhaps an easier answer than that would be that, after all, the member of parliament does not get a salary, he gets an indemnity.

Hon. Mr. MACKENZIE: That is right.

The CHAIRMAN: *Part II—excepted employment.*

Mr. GRAYDON: May I ask what is your definition of horticulture?

Mr. BROWN: We looked that up and really it was included in agriculture in the broad definition in an Oxford dictionary.

Hon. Mr. MACKENZIE: It is the study of gardening.

Mr. BROWN: To make it perfectly clear that it was intended, it was referred to specifically. That is about the only answer I can give.

Mr. GRAYDON: Am I right in assuming that the unemployment insurance commission will have the right to review these exemptions?

The CHAIRMAN: Yes, the advisory committee will have that right.

Mr. GRAYDON: The advisory committee will have that right. It seems to me that there is a distinction between certain horticultural workers. Some horticultural workers might properly come in the same category as those of ordinary plant workers, and others would come very close to agricultural workers. I would make the suggestion that the advisory committee deal with that distinction so that there will not be any difficulty in the administration of the Act.

I had two representations made by workers in the industry to the effect that they would like to have been included in it, and I think it would be highly advisable for the advisory committee and the commission to hear some representations on that point. I think there is a matter of distinction there which might readily be taken into consideration. Subject to that, I would be agreeable to passing the section.

On Part II, sub-section (b):

Mr. REID: Why was fishing left out? I have not the figures for the whole of Canada, but I know that in British Columbia there were 9,409 persons engaged in the fishing industry. That number includes a considerable number who work in the canneries, and some of these cannerys are operating for the entire year.

The CHAIRMAN: Then they are included here.

Mr. REID: What about the men on the seine boats?

The CHAIRMAN: Are they not pretty much like independent contractors?

Mr. REID: There are some who are independent, using their own boats and their own nets; there are others who are employed.

Mr. HODGSON: As in the case of agriculture, I think there are difficulties of administration.

Under section 14, where anomalies arise, the commission may remove them in the case of classes of persons.

Mr. POTTIER: You say cannerys are included; we have a number of fishing establishments on the Atlantic coast where a large number of persons are employed the year round in factories.

Mr. REID: Processing.

The CHAIRMAN: They are included.

Mr. POTTIER: Where?

The CHAIRMAN: Everything is included that is not excepted, and they are not excepted.

Part II (b) agreed to.

Mr. REID: When you come to the next clause, Mr. Chairman, I wish to raise an objection.

The CHAIRMAN: Then we shall let it stand?

Mr. REID: Yes.

Sub-section (d) agreed to.

On sub-section (e):

Mr. REID: In British Columbia, and I speak for the province from which I come, there are 7,180, according to the 1931 census, employed on water transportation. That includes 1,530 longshoremen. We have steamship lines which operate for twelve months of the year running between Vancouver and the north and between Vancouver, Victoria and Seattle. We have the C.P.R. ships and the Union Steamship lines, both of which have a large payroll. Generally speaking, about 80 per cent of the men are employed twelve months of the year. Why should they be left out?

Mr. STANGROOM: Dock workers and longshoremen are still one of the principal administrative difficulties in Great Britain. They have considered every process of pooling employers; they may work for five or six employers during the day, and it is principally an administrative difficulty.

Mr. REID: What about the men on the boats in port?

Mr. STANGROOM: You cannot register them as unemployed very easily.

Mr. REID: Why can you not?

Mr. STANGROOM: Their employer may be five hundred miles away. They have to record employment. Because they happen to be in a port or in dock for several days, it is rather difficult to administer.

Mr. REID: I differ from you. Speaking for British Columbia, the C.P.R. and the Union Steamship Company headquarters are in Vancouver, and most of the employment is done from that city or in the immediate vicinity. Some are hired from Vancouver, but very few. Generally speaking the men live in the city of Vancouver. I should like a better explanation of why they are left out.

Mr. HODGSON: They may be expected to be a great administrative difficulty in this country also.

The CHAIRMAN: This is going to be contentious, so I suggest that it stand for consideration.

Mr. REID: I may have something more to say on that matter in the morning.

The CHAIRMAN: That is what I mean by suggesting that it stand.

Sub-section (f) agreed to.

On sub-section (g):

Mr. ROEBUCK: I do not know why domestic servants should always be excluded from all social benefits. I am not asking that this be changed now, but I hope it will be changed before long.

Mr. GRAYDON: I think that is a matter which should have the attention of the advisory committee.

The CHAIRMAN: Those matters will have attention if there is any question about them.

Sub-section (g) agreed to.

On sub-section (h):

Mr. MACINNIS: On what principle are teachers excluded?

Mr. WATSON: They would come under a contract for services.

Mr. GRAYDON: I understood they were not included.

Mr. WATSON: They are not, but it is better to be sure.

Mr. HODGSON: All these exceptions are the same as the exceptions in the 1935 Act, with the exception of (m).

Mr. GRAYDON: Nurses and teachers are professional people, and my understanding of the difference between a contract of service and a contract for service is that the contract for service includes all professional classes, and, in that event, they would be exempted in any event, and it seems to be a superfluous section.

Mr. WATSON: There are a good many classes of people who are called teachers.

Mr. GRAYDON: I have no objection to the section carrying.

Sub-section (h) agreed to.

Mr. ROEBUCK: The next sub-section deals with employment in the permanent active militia, the Royal Canadian Navy, the Royal Canadian Air Force and the Royal Canadian Mounted Police.

The CHAIRMAN: Do you want to speak to that?

Mr. ROEBUCK: No; I do not think it is necessary but I should like to record my views in connection with it. The question is so great that it would be a mistake to try to include it at this time in the dying days of parliament.

The CHAIRMAN: Quite so.

Mr. ROEBUCK: But I do not see why the soldier should not be included in the benefits, and I hope that this sub-section will be examined by the advisory committee and an order-in-council passed in due season.

The CHAIRMAN: Right.

Mr. GRAYDON: Those are my views as well.

The CHAIRMAN: I think we would all like to see it done if it were practicable.

Sub-section (i) agreed to.

On sub-section (j):

Mr. REID: I should like to ask one question for information. Why were the personnel of the Fire Brigade not named in the Act? In view of the fact that these forces are just as permanent as the police force, having their own super-annuation fund and retiring at a certain age, why did you not name them?

Mr. HEAPS: There are many voluntary forces throughout the country.

Mr. REID: But they are not receiving wages.

Mr. HEAPS: But they may be.

Mr. REID: Oh, yes, they may be.

The CHAIRMAN: Shall sub-section (j) carry?

Sub-section (j) agreed to.

On sub-section (k) (i):

Mr. MACINNIS: Under sub-section (k) (i), we have employments covered by an Act governing government employees. There are many Dominion government employees whose term of employment is seasonal, for not more than four or five months in the year. Will these be included?

Mr. HODGSON: This is a list of excepted employment.

The CHAIRMAN: Mr. MacInnis means that they may be working on a government job for a short time.

Mr. MACINNIS: Not only that, but such employees as are in public works.

The CHAIRMAN: Would it not follow that when they left that work there would be other work that they would go to, so that while that job would be temporary there would be other jobs available for them?

Mr. ROEBUCK: That would be under the Civil Service Act.

The CHAIRMAN: Mr. MacInnis knows that.

Mr. REID: Do I understand it correctly that the government of Canada is certifying that a certain group have almost continuous employment and can be taken in under the Act?

Mr. CHEVRIER: Some of them are taken in.

Mr. REID: I am thinking of captains, mates and boatmen, who are operating twelve months of the year.

Mr. HODGSON: They come under transportation by water.

Mr. REID: But you have excluded them.

Mr. HODGSON: Where anomalies arise under section 14 (1), the commission may make a change.

Mr. REID: So long as they can be taken in, it is all right.

Mr. GRAYDON: What are the reasons why the civil servants should be excluded?

Mr. STANGROOM: Civil servants are considered to be permanent employees and I do not think the Crown can tax the Crown.

Mr. REID: Then my previous question was incorrectly answered.

Mr. HODGSON: The Crown can tax the Crown with the consent of the Crown, presumably.

Mr. REID: Then it would apply to civil servants. You cannot have it both ways.

Mr. BROWN: The civil service falls into two classes; It comprises what is commonly known as the permanent service and the temporary service. The permanent service comes under the Civil Service Act. The rest of the service is employed on what we call the prevailing rate basis.

Mr. REID: Mr. Brown, there are permanent temporaries.

The CHAIRMAN: They would come under the first part.

Mr. MACINNIS: Some of the prevailing rate employees are appointed by the Civil Service Commission.

Mr. BROWN: They are appointed under the Civil Service Act but they are not civil servants in that sense.

Mr. MACINNIS: This says the Civil Service Act.

Mr. BROWN: If you wish we will go into it with the Justice Department and make it more definite.

The CHAIRMAN: Let it stand.

Subsection stands.

On subsection K (ii).

Mr. JACKMAN: I presume it is the desire of the government in this Act to include all the outside classes of employment they can in order to get it on a wide basis.

The CHAIRMAN: Yes.

Mr. JACKMAN: Would you be good enough to let us know why the civil service is excluded as a class? It seems to me it takes on very many of the same aspects that the bank business does.

The CHAIRMAN: The government of Canada is paying a substantial portion of this as it is, and that would simply load the government up with larger contributions to the Act.

Mr. JACKMAN: I appreciate that is one of the strong points. But another strong point of the Act is that it spreads the tax base over a very large portion of the population.

The CHAIRMAN: Two million one hundred thousand.

Mr. JACKMAN: Yes; I think that is splendid. But there must be strong reasons why you include a classification like the banking classification which has hardly any turnover and exclude another classification.

Mr. ROEBUCK: Because the banking crowd do not pay one-fifth of the cost of the benefits and the dominion does.

The CHAIRMAN: More than one-fifth.

Mr. ROEBUCK: And the administration, in addition to that. If the banks would come in under that basis I guess we would let them out.

Mr. JACKMAN: Is there anything in that maxim that the Crown cannot tax the Crown?

The CHAIRMAN: I do not think it is a general maxim that we need to rely on.

Mr. MACINNIS: They can get around it.

Mr. GRAYDON: I do not want to labour the point in connection with the civil servants at all. The only reason I raised it was that some representatives here

had spoken of permanent employees that it would give help to and perhaps for that reason the question of the civil servant came to my mind.

The CHAIRMAN: Are you content to pass it?

Mr. REID: I do not think I need to remind the committee that if this bill becomes law there is no member of parliament who would be allowed to make any amendments to it, as an amendment would involve the expenditure of money.

Hon. Mr. MACKENZIE: But your friend the Minister of Labour can.

Mr. REID: No member can amend the Act in the house.

Mr. ROEBUCK: Why?

Mr. REID: An expenditure of money is involved in it and you cannot do it.

Mr. HEAPS: You can raise the question each year on the estimates on administration.

Mr. REID: That might not bring direct results.

The CHAIRMAN: On subsection 2.

Mr. JACKMAN: You still have to explain to some people why civil servants are not included in this Act. I can appreciate the argument that the Crown is contributing a large amount of money to this fund but I do not see any argument in excluding that part and why the individual should not contribute something.

The CHAIRMAN: Would not that have the effect of the individual paying his own share as well as the employer's?

Mr. JACKMAN: To get that considerable and desirable portion in there would simply mean the Crown would make a cross entry; and there does not seem to me to be any strong reason why the civil service should not be included.

The CHAIRMAN: Mr. Watson has a suggestion to make in that connection which might be helpful.

Mr. WATSON: I think in considering these classes of industries and employment that may usefully be brought within the scope of this Act you have to keep in mind the whole of its administration.

Now, there may be places where it is difficult to draw the line but we have to keep this in mind, that the whole administration of the Act will centre upon employment offices. That is the place where the employee will get his employment book and is the place where he will register if he is unemployed. He will have to report there occasionally as evidence of his continued unemployment. He will have to go there for his benefits; so obviously it would be rather useless to bring under the Act particular classes of people who have no prospects whatsoever of getting employment at an employment office. Policemen, for example, were mentioned. I doubt if any municipality would ever go to an employment office to employ a policeman. There are other agencies, other means of getting them; so while it might nevertheless be admissible to bring policemen under yet it is not the way in which policemen are employed. The same applies to teachers, the same to civil servants and so on. There is only one employer of civil servants. So civil servants as such cannot hope to get employment from any other government in the same area really than the dominion government. With that you have to keep in mind the whole scheme of administration, including inspection. Take domestic servants. Mr. Roebuck is sympathetic to them and would like to have them in, and everybody would. The difficulty there is inspection and the satisfactory administering of the Act. The difficulty is to know that the contributions have been properly paid; know they are at work when they claim they are at work, and all these things. You see how easy collusion would be; so I think you ought to keep in mind the complete picture of administration in order to settle up on whether any of these particular classes ought or ought not to be in. Take administration, for instance. They must have their employment book, and they must register, so that the inspection department may know or be able

to check up to see if the stamps are kept on and to see that the persons are at work. The same thing applies to fishing and logging. There is a certain amount of logging going on up the Gatineau. People could claim they are employed by so and so and nobody in the world could do inspection. It would be too expensive. There ought to be as far as practicable a well understood place of employment. I prepared a memorandum along those lines—

Mr. STANGROOM: You mention four points here.

Mr. WATSON: All of these things have to be kept in mind. The fact that unemployment may be heavy in an industry does not say that it ought to be under insurance. If it can be subjected to inspection, to control of insurance, there is no reason why it should not be under. The fact that unemployment may be heavy does not say it should be excluded. It might be quite properly under; but, unless the particular industry can, as it were, be grouped by the administrative machinery of the Act you might have so much difficulty in the administration of it; it just cannot be handled. Now, it will be the problem of the unemployment advisory committee to consider, for example, in Vancouver if people engaged there in water transportation should come under the Act. It is possible that under the powers given in the Act these can be brought under. There is ample power for doing that, if they see from the examination of the particular classes of employment that they could actually be managed under the Act.

The CHAIRMAN: Thank you very much.

Mr. WATSON: The memorandum that I prepared may be found in Hansard at page 1530 of March 8, 1935.

Mr. JACKMAN: It seems a very good answer to Mr. Watson's argument that most of the civil servants would be receiving less than \$2,000; so they are of a class of labour or scale for which the employment exchanges can find other positions.

Mr. WATSON: Most of these people are not civil servants, but employees of the government.

Mr. JACKMAN: There are a lot of them under this.

Mr. ROEBUCK: Has Mr. Watson incorporated anything in the record with regard to the financial condition of the fund? You have given us a memorandum here and you are the only one that did not place your memorandum on the record.

The CHAIRMAN: As Mr. Watson told us this afternoon it is an extremely unusual thing for a report to be incorporated in a record. In Great Britain it is not done at all.

Mr. WATSON: I am not sure of that. Perhaps I did not make myself clear about that. I think their reports were very much more sketchy; their reports have not been nearly so full. Is not that correct?

Mr. STANGROOM: They are not published.

Mr. WATSON: There were some early reports published, I think, but in recent years they have really been certifying.

The CHAIRMAN: What would your view be about having the report published?

Mr. WATSON: It is immaterial to me.

Mr. ROEBUCK: I move that his report be included. Now, Mr. Watson may wish to revise it, because I see there is a printed one as well as a mimeographed one. But we should have in the record the opinion of Mr. Watson that this is actuarially sound and approved by him.

Mr. MACINNIS: There is a printed one of 1935.

Mr. WATSON: There is perhaps one little difficulty in printing it now. The difficulty is that I have incorporated the 1935 report by reference in order to save some time.

Mr. ROEBUCK: Could not you consider that and give us something that is printable and incorporate it in the record of those minutes?

Mr. WATSON: It is all printable.

The CHAIRMAN: Both the 1935 report and the supplement of this year?

Mr. MACINNIS: The 1935 one is already printed; I do not think we should print it again. If we want this in there is no reason why it could not go in.

The CHAIRMAN: Could it not be changed or by reference to the 1935 report you may include any portion of that report you find essential and make this a whole document?

Mr. WATSON: It would be rather difficult; I think you pretty well need to read the two together.

Mr. POTTIER: Why not print both of them? How many pages are in the first one?

Mr. MACINNIS: Twenty-six pages.

Mr. ROEBUCK: I think it might be left to Mr. Watson because he understands what we want. We want a record of his opinion in these minutes—at least, I do.

The CHAIRMAN: I think it is hardly fair to Mr. Watson to ask him to suggest what he should do with his own report. I think that is our duty. What are the advantages of putting it in the record?

Mr. ROEBUCK: We have other statements. There is one in particular I could refer to but I do not want to get into an argument over phraseology, which seems to attack the soundness of the fund.

The CHAIRMAN: No; it says in effect we do not know what is going to happen in the next five years, which I think everyone will pretty well take for granted; consequently you cannot predicate any actuarial report under existing conditions that can be at all determinate in its effects. I think that was the effect of the evidence we heard from Mr. Wolfenden.

Mr. ROEBUCK: We have, I understand, an inquiry made by Mr. Watson, an eminent man in his profession and who does approve of this act in various ways. I should like to see his authority behind this and in the hands of those who may read.

Mr. MACINNIS: Can we not get over it in this way, if there are a sufficient number of these actuarial reports on Bill No. 8, 1935, printed? In the second paragraph of his report for this year to the Minister of Labour we find this:—

“The general observations made in my report (No. 158A—1935) on Bill No. 8, 1935, may be read as a part of this report. A copy of that report is attached hereto.”

The CHAIRMAN: What would your suggestion be, if there is enough copies?

Mr. MACINNIS: If there are enough copies of this available.

The CHAIRMAN: Print just that typewritten portion?

Mr. MACINNIS: Yes, with the reference to this in it. I should think that ought to be sufficient. However, I am not going to object to whatever is necessary.

The CHAIRMAN: Would that meet with your approval?

Mr. WATSON: Anything that suits the committee suits me. I have no preference in the matter.

The CHAIRMAN: You would not know whether there are sufficient copies?

Mr. WATSON: I have no idea what may be at the printing bureau but I think I have a few hundred copies.

The CHAIRMAN: Well, that would be enough to start with. What about the appendix to the new report?

Mr. WATSON: I think it ought to go together, probably.

The CHAIRMAN: If we print the report, we should print the addendum. All right. Is that agreed?

Some Hon. MEMBERS: Agreed.

Mr. ROEBUCK: Have we passed (ii) of K? I would ask, even if we have to revert back to it, are the hydro employees of Ontario included in this? Do they come under the act? They are a commission erected by a province. Then tell me if the Liquor commission will come under the Act.

The CHAIRMAN: It is a provincial commission.

Mr. ROEBUCK: There is a vast difference between the liquor commission and the hydro commission. The hydro commission is constituted by act of parliament and is in effect a company.

The CHAIRMAN: A body corporate.

Mr. ROEBUCK: The liquor commission is not a body corporate.

The CHAIRMAN: It seems to me there would be a very great distinction there. The point is that the provincial commission is almost a branch of the provincial government.

Mr. ROEBUCK: Yes. The liquor commission is a branch of the government. The hydro commission is not.

The CHAIRMAN: I would say that the liquor commission obviously would be excepted. But a body corporate, it would seem to me, is an independent body irrespective of who its shareholders may be or who its directors may be. It would seem to me it would come under the act.

Mr. ROEBUCK: It is very important to know.

The CHAIRMAN: We will get an opinion of the Department of Justice on that.

Mr. JACKMAN: Once you start with exceptions, you certainly run into difficulties. Answering the contention raised a while ago about the civil service not being included, that the government of Canada was already contributing a very substantial amount, the same argument might be advanced as to the reason or a reason for the civil servants not paying any income tax and yet the government has proceeded along very sound lines and taxed the salaries of dominion government employees.

The CHAIRMAN: It would be the reverse. In one case the employees are contributing to the government and in the other case the government would be contributing to the fund.

Mr. JACKMAN: The government contributes all the money to the employees and the employees pay it back. If they are under this unemployment insurance, it would mean that the government would contribute its share and get it back and the employees contribute their share along with other protected occupations.

The CHAIRMAN: Yes. But there is a contingent liability in unemployment insurance which does not exist in the income tax.

Mr. JACKMAN: It is making an exception.

Mr. REID: To me there seems to be no great difference in principle between the superannuation fund and the unemployment insurance. On the one hand, the government contributes and takes from the employees and retires them at sixty-five. In this it would take from them and contribute something as well for unemployment.

Mr. MACINNIS: Taking this act merely for what it is, it is a social security act.

Mr. JACKMAN: It is a social measure.

The CHAIRMAN: Could we run along and see how many of these are non-contentious? We will get an opinion from 'justice' on that question of the hydro commission, Mr. Roebuck.

Mr. ROEBUCK: Thank you.

Mr. JACKMAN: The Bank of Canada too, Mr. Chairman. Where does it come in?

The CHAIRMAN: My thought is where it is a corporation independent of the government, no matter if the government owns its stock, as in the case of the Bank of Canada, they would come under this act. That is not an opinion of justice, but I think perhaps we will get that.

Mr. JACKMAN: It does seem rather anomalous.

The CHAIRMAN: Sub-section (m).

Mr. MACINNIS: Have we any amendments?

The CHAIRMAN: There is a change in that. It is not an amendment that we put in now, but it is a change.

Mr. HODGSON: It is changed from the 1935 act; that is all.

Mr. MACINNIS: There has been considerable representation as to making this \$2,500.

The CHAIRMAN: Let that stand, then.

Sub-sections (n), (o), (p), (q), (r) agreed to.

Second schedule agreed to.

On the third schedule:

Mr. HODGSON: There is some amendment to be made.

The CHAIRMAN: Where is that?

Mr. STANGROOM: "Employed person while in employment."

The CHAIRMAN: That is section 1.

Mr. REID: Are we going to consider the age of children—sixteen as against fifteen?

The CHAIRMAN: We have not come to that yet. This is section 1, line 3, add the words, "while in employment".

Mr. GRAYDON: What is that again, Mr. Chairman?

The CHAIRMAN: "While in employment", on the third line, after the third word which is "person" add "while in employment".

Mr. GRAYDON: How could an employed person be unemployed?

The CHAIRMAN: I suppose the idea is to prevent them from paying for stamps at the time they are unemployed.

Mr. HODGSON: The point of it is to explain the meaning of the word "average" which is used in the preceding line.

Mr. GRAYDON: What is that?

Mr. HODGSON: To explain the meaning of the word "average" in the preceding line. I can state the case in a moment. The point is that when finding the average weekly contribution, you want to find that average on the base of the number of weeks contributions made, not in the total scope of the number of weeks in respect of which or during which these contributions are made. For example, suppose ten weekly contributions are made but they are made during a period of twelve weeks. Your division to find the average contribution is the ten. You want to find out what is the average rate of contribution in each of the ten weeks in respect to which contributions have been made, not over the whole twelve weeks over which that is spread. The effect of that, in other words, is to increase the amount of benefits in those cases. Is that clear?

Mr. GRAYDON: I am afraid, if I told the truth, I am more confused than ever. However, I am quite prepared to let it go.

The CHAIRMAN: It is moved by Hon. Mr. Mackenzie and seconded by Mr. Reid that section 1 of the third schedule be amended accordingly.

Amendment agreed to.

The CHAIRMAN: Then sub-sections (i), (ii) and (iii). That is the one. Do you want it to stand?

Hon. Mr. MACKENZIE: Stands.

Mr. ROEBUCK: Can we not make it sixteen right at once? Is there any reason for choosing fifteen? There is a reason for choosing sixteen. Sixteen is the age in a number of enactments.

Mr. REID: I think under the Pensions Act it is sixteen.

The CHAIRMAN: Would there be any actuarial effect at all if that change were made?

Mr. WATSON: None.

The CHAIRMAN: All right.

Mr. ROEBUCK: I move that.

Hon. Mr. MACKENZIE: It is moved by Mr. Roebuck and seconded by Mr. Reid that 15 be changed to 16.

Amendment agreed to.

The CHAIRMAN: Then we come to clause 2.

Clause 2 agreed to.

Hon. Mr. MACKENZIE: There is a small amendment in the right of benefit, is there not?

The CHAIRMAN: Clause 3, the weekly rate. You want to add the words "of benefit".

Mr. HODGSON: Just on the table 3, to make it read "weekly rate of benefit". It is in capital letters.

The CHAIRMAN: Wait. That is what I am at, weekly rate of benefit. You want to add the words "of benefit". You move that?

Hon. Mr. MACKENZIE: I move that, seconded by Mr. Chevrier.

Amendment agreed to.

The CHAIRMAN: There are a couple of non-contentious sections that I think we can clean up right now. I think the first is 14. That is in connection with the railway.

Hon. Mr. MACKENZIE: There was some difficulty over section 2, sub-section (d). I think we overcame the difficulty with "labour dispute". I think we can deal with that now—section 2, sub-section (d), definitions. We stood that over for further discussion. The memorandum was submitted and answered it very fully.

Mr. POTTIER: Oh, yes.

Section 2 (d) agreed to.

Hon. Mr. MACKENZIE: Section 2, Mr. Chairman.

The CHAIRMAN: Shall section 2 carry?

Section 2 agreed to.

Mr. ROEBUCK: Section 5 was allowed to stand.

The CHAIRMAN: Once we agreed to the amendments that Mr. Rand and Mr. Mills suggested, I thought we would clean them up and then go over all the other ones. There is section 14 (2) which is new, and which we have agreed to. It reads:—

Where it appears to the commission, that by reason of any law of a foreign country, a duplication of unemployment insurance contributions

by employers or employed persons or both and of unemployment insurance benefits will result, the commission may, from time to time, notwithstanding anything in this act, by regulation, conditionally or unconditionally, wholly or in part, provide for including any employed person or class or group of employed persons among the excepted employments in part II of the First Schedule to this act.

We agreed to that.

Mr. ROEBUCK: The only thing we did not agree to in respect of the memorandum is 27 (2).

The CHAIRMAN: We are coming to that. This is 14 (2). Is that agreed to?

Section 14 (2) agreed to.

The CHAIRMAN: Shall the whole section carry as amended?

Section 14 as amended agreed to.

The next is section 17, adding the new subsection, subsection 5. It has been agreed to. It reads:—

The commission may, notwithstanding anything herein contained. . .

Mr. POTTIER: Dispense.

The CHAIRMAN: Shall the subsection carry?

Section 17 (5) agreed to.

The CHAIRMAN: Shall the section as amended carry?

Section 17 as amended agreed to.

The CHAIRMAN: That is all the amendments we have agreed to.

Mr. ROEBUCK: Section 17 (5) is agreed to?

The CHAIRMAN: We have agreed to that.

Hon. Mr. MACKENZIE: We had that as one of the ones which were held.

The CHAIRMAN: That is one that I did not agree is contentious myself. I think it is a matter for the Canadian Pacific and the Canadian National Railways. It seems to me that we would be going outside of our proper field. There will be a meeting of parliament before our contributions are made in any event. We can just leave it and show the work they did, is that agreed?

Section agreed to.

Mr. ROEBUCK: We revised that.

The CHAIRMAN: Shall section 27 as amended carry?

Section as amended agreed to.

Mr. POTTIER: What about section 99?

The CHAIRMAN: I think we agreed to that at the time, didn't we? Yes, we agreed to that when we went over it.

Mr. STANGROOM: There is a change of one word in section 33.

Mr. ROEBUCK: Yes, in subsection (a) of 33.

The CHAIRMAN: What is the amendment in that? Oh, yes, substitute the word "remuneration," for the word "wages" in line 9 of that page. And then there is the complementary correction in line 10 of the same page where the word "remuneration" is to be substituted for the word "wages."

Hon. Mr. MACKENZIE: I move that the section as amended be agreed to. Carried.

Mr. HODGSON: In section 13 (g) we have changed the word "two" to the word "one."

Hon. Mr. MACKENZIE: That will be subsection (f) now.

The CHAIRMAN: Yes, sub-section (g) is now (f).

Mr. HODGSON: We felt that that would remove the anomaly that exists where a person contributed for a long time in category zero without receiving benefit.

Mr. MACINNIS: What is the amendment?

Mr. HODGSON: Instead of "two" the word "one" is used.

The CHAIRMAN: It would then read: "43 (f) if more than half the contributions made in respect of him during the one year—" we substitute there the word "one" for "two".

Mr. ROEBUCK: I cannot understand this at all. When we passed it we held it over. I do not understand it yet.

Mr. HODGSON: Well, sir, the point of it is to provide rates for those persons under 16, or earning less than 90 cents per day for a full week's work. We feel that in the first instance they should not be entitled to receive benefits but that they are coming within what might be called the field of employment proper. The fact that they have been less than 16 years of age or have been receiving less than 90 cents an hour should entitle them to accumulate benefit rights and so they are allowed to use what are called here benefit rights which they have under the enumerated category as defined in category zero.

Mr. ROEBUCK: Am I right in saying that the lowest rate of contribution is zero?

Mr. HODGSON: It is zero.

Mr. ROEBUCK: That makes it clear enough.

Section as amended agreed to.

On section 43 (f):

The CHAIRMAN: Justice has a recommendation, a new (f).

Hon. Mr. MACKENZIE: It is the same section as we have just considered, in the first line of sub-section (f).

The CHAIRMAN: Yes, "a member of".

Hon. Mr. MACKENZIE: Yes, "a member of".

The CHAIRMAN: Shall the section as amended carry?

Section as amended agreed to.

The CHAIRMAN: We will adjourn to meet in camera to-morrow morning at 10.30 o'clock a.m.

The committee adjourned at 11.05 o'clock p.m. to meet again July 25th, 1940, at 10.30 o'clock a.m. in camera.

APPENDIX "A"

ACTUARIAL REPORT ON THE CONTRIBUTIONS REQUIRED TO PROVIDE THE UNEMPLOYMENT INSURANCE BENEFITS WITHIN THE SCHEME OF A BILL, BEING THE DRAFT OF AN ACT TO BE ENTITLED "THE UNEMPLOYMENT INSURANCE ACT, 1940".

A. D. WATSON

To the Hon. NORMAN A. McLARTY,
Minister of Labour, Ottawa.

SIR,—In accordance with instructions, I have the honour to report on the rates of contribution required to provide the unemployment insurance benefits within the framework of the draft bill entitled "An Act to establish an unemployment insurance commission to provide for insurance against unemployment and an unemployment service, and for other purposes related thereto".

The general observations made in my report (No. 158A-1935) on Bill No. 8, 1935, may be read as a part of this report. A copy of that report is attached hereto.

The insurable employments in the present draft bill are identical with those in the Act of 1935, being Chapter 38 of the Statutes of that year, since repealed. My 1935 actuarial report was made with reference to the same insurable employments, with the exception of "employment in banking, mortgage, loan, trust, insurance and other financial business", which was among the excepted classes in the original 1935 Bill, but was transferred to the insurable employments in the course of the passage of the Bill through Parliament.

The census and intercensal data on which the 1935 actuarial report was based were compiled by the Dominion Bureau of Statistics having regard for the industries, employments and occupations designated under the head of "insurable employments" in the original 1935 Bill. Under that Bill insurable employment was determined mainly by industry rather than by occupation, so that a book-keeper, messenger, clerk, stenographer or caretaker, for example, if employed in an insured industry would have been insured, but if employed in an excepted industry would not have been insured.

Having regard for the manner in which census data relating to occupations in industries are compiled, it was practicable to observe these distinctions only approximately in assembling the unemployment data from the census classifications for the purposes of the 1935 actuarial report. Nevertheless the data used as a basis for that report were probably no less extensive than they would have been if it had been practicable to have nice regard for the meaning of insurable employment. In some respects intercensal data are of more importance than census data in computing rates of contribution for unemployment insurance benefits, and the possibilities of statistical depuration for intercensal data are even more strictly limited than for census data. But even had it been practicable to observe a greater degree of nicety in compiling both the census and the intercensal data, the degree of increase in relevancy would still have been uncertain for the reason that, if the scheme of unemployment insurance had been in effect over that period, all of these data would have been very different from what they were without the scheme. Furthermore, the relative proportions of persons in the several insurable employments may shift materially from decade to decade. Hence, data of the past, however nearly complete and perfect they

may be, must fall so far short of being a satisfactory guide to the future that it is beside the mark to attempt to attain a supposed statistical purity in their compilation. Moreover, as the computations based on the census and intercensal data must be adjusted to implement certain specific provisions in the draft bill which directly affect benefits and contributions, to take account of the effect of the scheme itself injected into the economic system as a functioning institution, and to give effect to justifiable caution concerning unemployment over, say, the next ten years, it would be beside the point to revise the foundation data by reason of the inclusion of "employment in banking, mortgage, loan, trust, insurance and other financial business" among the insurable employments, or for any other similar reason.

Through the courtesy of Dr. R. H. Coats, Dominion Statistician, I have had the advantage of discussing with the late Mr. M. C. MacLean, Chief of the Social Analyses Branch of the Dominion Bureau of Statistics, the special problems presented by the general plan of benefits and contributions embodied in the present draft bill, including the question whether data were now available, or could be complied, as a foundation for estimating contributions which would be materially more appropriate than the data used for the like purpose in 1935. Although the Bureau has had under continuous advisement the many shifting phases of the unemployment situation, it is considered that it would be chimerical to make any new attempt at this time to compile data in the hope that they would be in a higher degree representative of the insurable employments under the scheme of the present draft bill than the data on which my 1935 actuarial report was founded. However, additional data were necessary because, in the present draft bill, both contributions and benefits depend on the earning classes of the insured persons. These data were prepared *ad hoc* by the Bureau.

Having thus arrived at a decision concerning the foundation data, attention may usefully be directed to the objectives which have been kept in view in estimating the rates of contribution herein recommended and to the necessarily tentative nature of those rates.

Even with all industries included in one scheme, the incidence of unemployment varies so widely from year to year, and from period to period, that it is not practicable to determine rates of contribution in advance which will with any certainty prove adequate over a long period unless, indeed, they should be deliberately set excessively high. The economic wisdom of deliberately fixing rates too high, for the purpose of making sure of their sufficiency, must be doubtful, and the justification on any grounds far from manifest. This is more particularly true where, as under the draft bill, provision is made, through the instrumentality of the Unemployment Insurance Advisory Committee (Sections 82 to 87), for keeping in hand at all times the finances of the Unemployment Insurance Fund, either by adjustment in the contributions or benefits or by other amendments. In view of this provision it might be thought a matter of relatively little importance what rates of contribution were adopted in the first instance, as it would be possible to make adjustments from time to time in the light of experience. This, however, appears to be a far from satisfactory position to take, for it is no more than fair to all concerned that an undertaking of such great consequence should be embarked upon only on the basis of the best possible estimate of the probable costs and dislocations. Moreover, unless the finances of the scheme are founded on such an estimate, and unless it is known how that estimate was arrived at, it must be difficult, if not impossible, more particularly in the early years of the scheme, to interpret the experience of the Fund. In particular, given relatively stable employment conditions during the first five years of the scheme, the average annual benefit payment per insured contributor should increase from year to year rather rapidly. This will be apparent from a glance at the table on page 15 of the Addendum hereto.

As the rates of contribution must make provision for this prospective annual increase in average claim, there ought to be, in the normal course, a fairly rapid increase in the Fund in the early years if the contributions are approximately adequate and the claim experience not greatly in excess of the average provided for. The experience of the Fund will of course not follow the standards aimed at in settling upon the rates of contribution except it be on the average over a period of, say, 10 years. But if the nature of the standard aimed at is understood, there should be a better prospect of correctly interpreting the experience of the Fund from time to time.

The objective kept in view was to determine rates sufficient to provide the benefits in the draft bill for a period such as the eleven years ended June 1, 1931, assuming the scheme had attained the status of full operation before the commencement of that period. Having regard for the employment history since July 1, 1931, it can hardly be held that this objective is either unreasonably high or unreasonably low.

Apart from settling upon the statistical foundations and the general approach and objectives, account must be taken of all of the provisions of the draft bill bearing on the finances of the scheme and of the particular instructions to be observed in settling upon the rates of contribution.

Exclusive of the weekly rates of benefit (for which see page 7), the main provisions to be taken into account are—

- (1) the classes of insurable employment as set forth in the First Schedule—taken into account in settling upon the foundation data;
- (2) the requirement of contributions for at least 180 days in the two years preceding claim for benefit (Section 38), and the requirement of contributions for 60 days to requalify for benefit after exhaustion of benefit rights in any benefit year (Section 40);
- (3) the "ratio rule" for the determination of "benefit days" of the claimant for benefit, being the difference between
 - (a) one-fifth of the number of days for which contributions have been paid in respect of him in the prescribed period of five years preceding the benefit year for which the computation is made, and
 - (b) one-third of the number of days, if any, for which benefit has been paid to him in a prescribed period of three years preceding the benefit year (Section 34);
- (4) the "waiting period" before accrual of benefit, being the first 9 days of unemployment in any benefit year after the insured person otherwise qualifies for benefit (Section 36);
- (5) the exclusion from benefit days of the first day of unemployment in any calendar week during which the insured person is not unemployed for the full week, unless his unemployment in that week is continuous with unemployment throughout at least the whole of the preceding calendar week (Section 36);
- (6) the adjustment of contributions to a daily basis for partial employment in any week, and the counting of the actual days of employment for which contributions are made in determining benefit rights (Section 17);
- (7) the difference in unemployment insurance benefit for persons with dependants and for persons without dependants (Third Schedule);
- (8) the general effect on employment and on unemployment of the scheme provided for in the draft bill, when injected as a functioning institution into the economic system.

The weekly rates of benefit and the particular instructions to be observed in settling upon contributions are—

(1) Benefit rates to be—

Earnings class	Weekly rates of benefit for persons with dependants (immediate family)
Persons earning less than \$5.40 per week, and persons under the age of 16 years	Nil
Persons earning \$5.40 to \$7.49	\$4.80
7.50 to 9.59	6.00
9.60 to 11.99	7.20
12.00 to 14.99	8.40
15.00 to 19.99	9.60
20.00 to 25.99	12.00
26.00 to 38.49	14.40

and for persons without dependants the benefits to be 85 per cent of the above;

- (2) the weekly rates of contributions of employed persons in the several earnings classes to be proportionate to the weekly rates of benefit in those classes;
- (3) the employer's contribution to be uniform for each of the three highest earnings classes (\$15.00 to \$38.50) and on the whole lower than the contributions of employed persons in those classes; the employer's contribution for the three next highest earnings classes (\$7.50 to \$14.99) likewise to be uniform and on the whole rather higher than the contributions of employed persons in those classes; the rate of employer's contribution in these two broad classes to be harmonized reasonably with the employer's contribution which may be recommended for each of the two lowest earnings classes;
- (4) the contributory time of employed persons under the age of 16 years, and employed persons earning less than a weekly rate of \$5.40, being countable for benefit whenever they may qualify therefor, the contribution for these persons to be only slightly lower than for the earnings class \$5.40 to \$7.49;
- (5) the contributions of the employed person to be paid by the employer and not deducted from earnings if that person is under the age of 16 years or is earning less than \$5.40 per week; and
- (6) one-sixth of the total cost of benefits to be borne by the Treasury, and the remainder of the cost to be divided as nearly equally as practicable between employers as a class and employed persons as a class.

As one-sixth of the cost of the benefits is to be borne by the Treasury, only the remainder of the cost need be considered in settling upon the contributions for employers and for employed persons. The relative rates of contributions of employed persons in the several earnings classes having been settled by the above cited instructions, it was then a question of fixing upon absolute rates which might reasonably be expected to provide for one-half of the remainder of the cost of benefits on the average over a period of years. These rates are shown in the table below. To fix upon a scale of contributions for employers within the terms of the above instructions it was necessary to proceed by trial. The rates determined in that manner which seem to best comply with the instructions are also shown in the table below.

Earnings class	Weekly rates of contribution	
	By the employer	By the employed person
Persons earning less than \$5.40 per week and persons under the age of 16 years	c. 18	c. 9
Persons earning \$5.40 to \$7.49	21	12
7.50 to 9.59	25	15
9.60 to 11.99	25	18
12.00 to 14.99	25	21
15.00 to 19.99	27	24
20.00 to 25.99	27	30
26.00 to 38.49	27	36

It will be noted that forty times the weekly contribution of the employed person gives his weekly rate of benefit if he has dependants, and thirty-four times his weekly rate of contribution gives 85 per cent of that weekly rate of benefit, being the weekly rate of benefit for the employed person without dependants.

The rates of contribution in the above table are recommended as reasonable for inclusion in the draft bill. Nevertheless, it is also recommended that they should be re-examined as soon as data may become available which would justify re-examination. It may be a good many months before the organization work of the Unemployment Insurance Commission will be sufficiently complete to undertake the collection of contributions. In the meantime unemployment data obtained as a consequence of national registration might warrant re-examination.

For the purposes of this report it has been assumed that the scheme in the draft bill is to be administered strictly as an insurance scheme. This assumption implies that contributions will be collected in respect of every employed person to whom the scheme by its terms applies; that every such person will receive, when unemployed, every dollar of benefit to which he may be entitled under the benefit rules; that all the insurance safeguards in the draft bill will be implemented to these ends. Obviously unemployment insurance cannot of itself take care of the whole problem of unemployment any more than a scheme of national health insurance can take care of the whole problem of maintaining personal health; but, with a well-administered scheme of insurance, there ought to be a better prospect of dealing effectively in other ways with the residual problems of unemployment. Consequently the place and functions of an unemployment insurance scheme may with advantage be set down at this point.

Nothing can come out of an unemployment insurance fund except what goes into it as contributions by employers, by workers and by government, together with interest earnings on balances in the fund from time to time. The contributions paid by and on behalf of insured workers are for the purpose of securing unemployment benefit for them and for them alone. Unemployment insurance is not a scheme of unemployment relief; it is essentially a co-operative business arrangement between those employers and their employees who are brought within the ambit of the scheme, the co-operation being made effective through government direction, supervision and support. The fact that government necessarily plays a vital part should not obscure from view the fundamental circumstances that, if the scheme is to be one of insurance, benefits must be paid strictly in accordance with the statutory provisions governing payment and only to those who have made contributions therefor. These points will bear emphasis, for contrary opinions have had a certain vogue in some quarters in recent years. According to these opinions an unemployment insurance fund, to be really worth while, must provide *adequate* benefits for all employable persons who may at any time be unemployed, without any specific contribution or employment requirements as necessary conditions precedent to receipt of benefit. Notwithstanding the brushing aside of compliance with these insurance conditions it is held that there should be no close scrutiny of individual needs precedent to the payment of benefit; such scrutiny is held to be unnecessarily offensive to persons in need and therefore should be regarded as inadmissible. Whatever may be the social merits of these points of view, any such scheme would be divested of every vestige of insurance; and it may be affirmed with confidence that, if the scheme of insurance in the draft bill should at any time be warped to serve purposes and objectives outside its insurance frame-work, then, no matter how specious the arguments for such a course may seem in the circumstances, the confusion of thought responsible therefor must soon become nation-wide, leading eventually to general disrespect for the scheme and its ultimate breakdown, and possibly to general

disrespect for regularized ways for dealing with all like national problems. Any attempt to make an actuarial estimate of contributions for such a scheme would be a manifest irrelevancy.

It may be useful in conclusion to give some indication of the annual resources of the Unemployment Insurance Fund, under the scheme of the draft Bill, on the basis of the contributions to be made by employers, by insured persons and by the Government. The fundamental difficulty is to estimate the number of insured persons there may be in the several contribution classes, and the proportion of each year which will be spent in insurable employment. On the basis of a contributory population in 1941 of 2,100,000, and of an average number of weeks of employment per person equal to that assumed for the purposes of estimating contributions, the total contributions for the year would be approximately \$58,500,000, being approximately \$9,700,000 by the Government and approximately \$23,400,000 each by employers and employed persons. The tentative nature of these estimates will be apparent; they relate to an *average* year only, and few years are average in the matter of employment and unemployment.

In addition to the Government contribution to the Unemployment Insurance Fund, the whole of the cost of administering the insurance scheme and of the Employment Service is to be paid by the Government. The Employment Service will minister not only to insured persons and employers who may be within the insurance scheme but also to employees and employers generally.

It is my duty to acknowledge the valuable assistance I have received from the Dominion Bureau of Statistics, and particularly from the late Mr. M. C. MacLean, who for many years had been Chief of the Social Analyses Branch of the Bureau. In making this report many new problems were encountered as a consequence of relating benefits and contributions to earnings classes. As always his resourcefulness matched the difficulty of each particular problem. It is a matter for regret that this word of appreciation could not have been given in his lifetime.

I have the honour to be, Sir,

Your obedient servant,

(Sgd.) A. D. WATSON,

*Fellow of the Institute of Actuaries of Great Britain,
Fellow of the Actuarial Society of America,
Chief Actuary, Department of Insurance.*

OTTAWA, July 19, 1940.

ADDENDUM

The main provisions of the draft bill of which account was taken in estimating contributions for the unemployment insurance benefits, and the specific instructions in that behalf, are summarized on pages 6 and 7.

Benefits and contributions are to depend on the earnings class of the insured person, but nevertheless the scheme of insurance is not by earnings classes separately. Specifically the intention is that contributions as a whole should be adequate to provide the benefits as a whole. Consequently, having regard for the data available, the natural approach appeared to be, first, to ascertain per insured person per year on the average over a period of years (a) the number of contribution weeks and (b) the number of benefit weeks, and, secondly, to determine in what proportions each of these averages are attributable to insured persons in the several earnings classes. The procedure followed

for solving the first part of the problem was along the lines of my report on the 1935 draft bill, subject to certain necessary changes as hereinafter indicated.

Given the probabilities of being unemployed within a period of 12 months for one week or less, for two weeks or less, for three weeks or less, and so on, the differences of these probabilities will be, respectively, the probabilities of being unemployed under 1 week, from 1-2 weeks, from 2-3 weeks, and so on, and will also be the probabilities of being employed from 51-52 weeks, from 50-51 weeks, from 49-50 weeks, and so on, and may be taken to be, respectively, the probabilities of being employed on the average for $51\frac{1}{2}$ weeks, $50\frac{1}{2}$ weeks, $49\frac{1}{2}$ weeks, and so on, or unemployed on the average for, respectively, $\frac{1}{2}$ week, $1\frac{1}{2}$ weeks, $2\frac{1}{2}$ weeks, and so on. Thus, with reference to a period of one year, the one set of probabilities may be used in computing per insured contributor (1) the average number of contribution days and (2) the average number of idle days from all causes. But as benefit is not payable for all idle days, the technique followed was, first, to compute the average number of benefit days, approximately, by taking into account those limitations on the payment of benefit which could be taken into account mathematically, and, secondly, to make adjustments in that average to take account of the limitations which could not be dealt with specifically in that fashion.

The procedure followed in deriving the probabilities already described is given in detail on pages 9-14 of my report on the 1935 draft bill. The probabilities themselves are reproduced herein in column (6) of the table on page 17. To arrive at an approximation to the number of benefit days to be combined with these probabilities in computing the annual average number of benefit days per insured contributor, account was taken of the limitations imposed by (1) the "first statutory condition", being the requirement of contributions for at least 180 days within the two years next preceding the commencement of a benefit year (Section 28), (2) the waiting period of 9 days (Section 36), (3) the ratio rule for computing benefit days (Section 34), and (4) the requirement of contributions for 60 days to requalify for benefit after lapse or exhaustion of benefit rights in any benefit year (Section 40). The latter requirement is swallowed up, as it were, in taking account of the limitation imposed by the first statutory condition.

It may be shown by trial, as is fairly obvious from general considerations, that the average number of benefit days over a period of, say, 20 years will, on the whole, be the same for the insured contributor who works, for example, exactly 25 weeks each year as for the insured contributor who on the average works 25 weeks each year. It is, therefore, convenient and sufficient, for the purpose of the primary calculations, to ascertain the annual average number of benefit days which will accrue to an insured contributor throughout a period of n years (n being his "employable expectation" in years) as a consequence of his making contributions in each of the n years for exactly y weeks. As the first statutory condition requires contributions for 180 days i.e., 30 weeks, in the two years preceding a benefit year, this means that the minimum average value of y in weeks is to be taken at $15\frac{1}{2}$.

For the purpose of the proposed calculation, it may be assumed that the incidence of the days of employment and of unemployment of the insured contributor, within each successive period of 12 months, is such that benefit will be paid for the maximum number of days for which his y weeks' contributions qualify him, not exceeding, however, the number of days' benefit which can be paid within a period of 12 months, having regard for his weeks of contributory employment in those months and for his waiting period of 9 days. The limitations imposed by these assumptions do not detract materially, if at all, from the generality of the conclusions deriving from the computations for, on the average over the years whatever the shifting in incidence of benefit payment in individual cases may be, there will be an averaging up an agreement in total on the average per insured person.

As a matter of general interest and information, there is shown in the following table, for illustrative integral values of y , the number of benefit days accruing to an insured contributor under the ratio rule in successive years as a consequence of his making contributions for y weeks each year, account being taken of the limitations and assumptions above cited.

Contribution year	Number of weekly contributions, y , by the insured contributor each year					
	18	24	30	36	42	48
Number of benefit days which will accrue to the insured contributor in each year on the basis of the stated number of weekly contributions each year; waiting period nine days.						
1st.	36	43	50	57	64	71
2nd.	43	58	60	72	51	15
3rd.	49	67	76	87	51	15
4th.	56	74	87	87	51	15
5th.	59	78	106	87	51	15
6th.	53	71	90	87	51	15
7th.	52	70	86	87	51	15
8th.	53	71	86	87	51	15
9th.	55	74	93	87	51	15
10th.	55	72	92	87	51	15
11th.	54	72	90	87	51	15
12th.	53	71	88	87	51	15
13th.	54	72	90	87	51	15
14th.	54	72	91	87	51	15
15th.	54	72	90	87	51	15
16th.	54	72	90	87	51	15

For values of y equal to 33 or less the number of benefit days increases to the 5th year and thereafter decreases to about the 10th year. From the 10th years, the number of benefit days per year equals, or about equals, three times the number of weeks of contribution per year*, subject, however, to any reduction which may be imposed by the limitation that the sum of the contribution period, of the waiting period and of the benefit period cannot exceed twelve months. Where, for example, the insured person contributes for 48 weeks per year, there can only be 24 idle days per year. Deducting the 9 waiting days leaves a maximum of 15 benefit days, as shown in the above table.

The annual average number of benefit days over a period of n years, for any value of y ($y=15\frac{1}{2}$, or $16\frac{1}{2}$. . . or $51\frac{1}{2}$), may be ascertained by computing the number of benefit days for each year in the n -year period, by a detailed application of the ratio rule, in the same way as the benefit days in the above table were computed, and then taking the average. In view of the fact that after the 14th year the number of benefit days per year equals three times y^t , the computation is not unduly laborious, but from the algebraic relations implied in the ratio rule, the required averages may more readily be obtained by multiplying the successive values of y by a constant factor for any particular value of n . (See note appended hereto.)

Concerning the value for n , the employable expectation in years, which should be assumed in the computations, a lower value might well be assumed for those who may come under insurance when it first becomes effective than for those who may come under in later years. Trial computations were made for $n=20$, 25 and 30 years. The annual average number of benefit days per insured contributor for $n=30$ was found to be a little more than 1 per cent in excess of that for $n=20$. Although 20 years would probably be a satisfactory value to assign to n , nevertheless, for the purposes of this report, n was taken at 25 years, the final results being probably slightly on the safe side.

The annual average number of benefit days for $y=15\frac{1}{2}$, $16\frac{1}{2}$, $17\frac{1}{2}$. . . $51\frac{1}{2}$, computed as above indicated, are shown in columns (2) to (5) of the table on the following page for waiting periods of "O", 6, 9 and 12 days.

* This is approximately true for each year after the fifth year.

† Where y is taken at the half week, the number of benefit days taken integrally will alternate above and below $3y$.

Number of weeks' contributions in a year	Annual average number of benefit days over a period of 25 years according to the "ratio rule" in the draft bill: waiting days being				Probabilities*	Columns (1) to (5) multiplied by the probabilities in Column (6)				
	"O"	6	9	12		(7)	(8)	(9)	(10)	(11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
51½	3	..	..	..	.5977	30.78	1.79	..	..	..
50½	9	3	1½	..	.0561	2.83	.50	.17	.08	..
49½	15	9	6	3	.0327	1.62	.49	.29	.20	.10
48½	21	15	12	9	.0230	1.12	.48	.35	.28	.21
47½	27	21	18	15	.0186	.88	.50	.39	.33	.28
46½	33	27	24	21	.0157	.73	.52	.42	.38	.33
45½	39	33	30	27	.0139	.63	.54	.46	.42	.38
44½	45	39	36	33	.0125	.56	.56	.49	.45	.41
43½	51	45	42	39	.0116	.50	.59	.52	.49	.45
42½	57	51	48	45	.0108	.46	.62	.55	.52	.49
41½	62	57	54	51	.0101	.42	.63	.58	.55	.52
40½	68	62	60	57	.0094	.38	.64	.58	.56	.54
39½	73	68	65	62	.0089	.35	.65	.61	.58	.55
38½	79	74	71	68	.0085	.33	.67	.63	.60	.58
37½	85	79	77	74	.0083	.31	.71	.66	.64	.61
36½	90	85	82	79	.0080	.29	.72	.68	.66	.63
35½	95	90	88	85	.0077	.27	.73	.69	.68	.65
34½	99	95	92	90	.0074	.26	.73	.70	.68	.67
33½	96	96	96	96	.0071	.24	.68	.68	.68	.68
32½	94	94	94	94	.0067	.20	.59	.59	.59	.59
31½	91	91	91	91	.0065	.20	.56	.56	.56	.56
30½	88	88	88	88	.0064	.18	.52	.52	.52	.52
29½	84	84	84	84	.0062	.17	.49	.49	.49	.49
28½	81	81	81	81	.0060	.16	.46	.46	.46	.46
27½	79	79	79	79	.0058	.15	.42	.42	.42	.42
26½	76	76	76	76	.0055	.14	.39	.39	.39	.39
25½	73	73	73	73	.0053	.12	.36	.36	.36	.36
24½	70	70	70	70	.0051	.11	.32	.32	.32	.32
23½	67	67	67	67	.0048	.10	.29	.29	.29	.29
22½	64	64	64	64	.0046	.10	.27	.27	.27	.27
21½	61	61	61	61	.0045	.09	.26	.26	.26	.26
20½	59	59	59	59	.0044	.08	.24	.24	.24	.24
19½	56	56	56	56	.0042	.08	.22	.22	.22	.22
18½	53	53	53	53	.0041	.07	.20	.20	.20	.20
17½	50	50	50	50	.0040	.06	.18	.18	.18	.18
16½	47	47	47	47	.0039	.06	.16	.16	.16	.16
15½	44	44	44	44	.0036	.05				
14½					.0033	.04				
13½					.0032	.04				
12½					.0029	.03				
11½					.0027	.03				
10½					.0025	.02				
9½					.0023	.02				
8½					.0022	.02				
7½					.0020	.01				
6½					.0019	.01				
5½					.0018	.01				
4½					.0017	.01				
3½					.0016	..				
2½					.0015	..				
1½					.0015	..				
1½					.0014	..				
Totals...						45.54	19.31	16.01	15.34	14.64

* Being the probabilities that in a period of 12 months the number of weeks' contributions as in Column (1) will be paid and that unemployment insurance benefit will on the average be drawn for the number of days in Columns (2) to (5).

From the computations on the preceding page it will be seen that, as a first approximation for determining the contributions for the scheme of benefits in the draft bill, the average number of weekly contributions per insured contributor per year is 45.54 (the total of column (7)), and the average number of benefit days per year, waiting period nine days, is 15.34 (the total of column (10)). For the former average it seems justifiable to take the total of column (7) rather than the total for 15½ weeks and upwards, for the reason that there will be a certain proportion of wage-earners in insurable employments for

periods too short to qualify them for benefit. Adjustments will now be made in these totals to allow for factors of which account could not conveniently be taken in the above primary calculation. These adjustments will first be set down and their rationale afterwards given.

	Annual average number of weeks' contribution per insured contributor	"O"	6	9	12
	(1)	(2)	(3)	(4)	(5)
(1) The results of the above computations..	45.54	19.31	16.01	15.34	14.64
(2) Increase benefit days by 30 per cent and decrease contribution weeks accordingly	-.96	+5.79	+4.80	+4.60	+4.39
(3) Totals.....	44.58	25.10	20.81	19.94	19.03
(4) Adjustment for over-statement of "waiting days" due to statistical characteristics of the primary data. "Waiting days" taken as $7\frac{1}{2}$ instead of 9. $(20.81 - 19.94) \div 2 = \dots$	....	....	....	....	.44
(5) Adjustment for reduction of the benefit period on account of—					
(a) sickness.....	....	....	....	....	1.00
(b) strikes.....	....	....	....	....	-.08
(c) the exclusion of the first day of unemployment in any calendar week.....	....	....	....	....	-.67
(6) Adjustment for interest earnings on Fund (increase number of weeks' contributions by 2 per cent).....	+ .89				
Totals.....	45.47				18.63
					or 3.10 weeks

The main reasons for adjustment (2), indicated above, are considered on page 23 of my report on the 1935 draft bill. Taking into account the insurable employments covered, the effect of the ratio rule in the present draft bill, including its surrounding provisions and implications for which adjustment is not specifically hereinafter considered, and the loss of contributions during periods for which persons normally in insurable employment may be engaged in excepted employments, an increase of 30% in the benefit days, for each of the assumed waiting periods of "0", 6, 9, or 12 days, is deemed necessary and sufficient. As the increase in benefit days for waiting period "0" is 5.79 days (Column (2)) this means a decrease of .97 in the average number of weeks of contribution per year (Column (1)).

The reasons for making adjustments (4) are considered on pages 19 and 20 of my report on the 1935 draft bill.

The adjustment to be made on account of the exclusion from benefit of periods of unemployment due to sickness is considered on page 19 of my report on the 1935 draft bill. Having regard for the reduction in the qualifications required under the first statutory condition, and the shorter benefit period under the ratio rule for those who work for relatively short periods each year, a deduction of one day in the annual average benefit days per insured contributor, waiting period 9 days, is deemed appropriate.

The adjustment on account of strikes is not important; it is considered on pages 18 and 19 of my report on the 1935 draft bill. A deduction of .08 has been made in the annual average benefit days, waiting period 9 days.

The adjustment for the effect of the rule excluding from benefit the first day of unemployment in any calendar week, unless the unemployment extends to the whole week or is in continuation of unemployment which has lasted at least one week, was arrived at as follows.

In the Ministry of Labour Gazette (London), August 1932, page 280, et seq., there are given among other data, for a sample of 1 in 200 adults on the *live register* on February 2, 1931, the aggregate number of days of unemployment, and the percentages thereof to the total unemployment for the sample, classified according to the length of spell of unemployment in days as follows, namely, 1, 2, 3, 4-6, 7-12, 13-50, 51-100, 101-200, 201-300, 301-312. For men on standard benefit, the percentages of spells of unemployment for 1 day, for 2 days and less for 3 days and less, for 6 days and less, for 12 days and less, and so on, were plotted on cross-ruled millimetre paper and a curve was passed through the points by means of a spline, whence the percentages of the total unemployment for spells of unemployment of 1 day, of 2 days, of 3 days, and so on, up to 16 days, were obtained. By assuming a uniform distribution of the onset-incidence of unemployment, for each length of spell (up to 16 days) any portion of which would fall within the calendar week of observation, diagrams were constructed from which was ascertained for each length of spell, the proportion of the unemployment in the calendar week of observation which would be excluded by the rule. By combining the proportion so obtained for each length of spell up to 16 days with the percentage of the total unemployment for that spell, arrived at as above indicated, the percentage of the total unemployment excluded under the rule, for spells up to 16 days, was computed and found to be 6.47 per cent. About three-fourths of all unemployment was for spells of 16 days and under. It was estimated that if spells above 16 days had been included in making the above computation, the percentage (6.47) would be increased to about 7 per cent.

The sample data did not overstate the unemployment, proved unemployment alone being included. Where, for example, contributions were paid for the week it was assumed that the insured contributor was employed for the whole of that week unless he proved unemployment for a part of it.

The average frequency of unemployment per claimant may depend considerably on the employment conditions for the particular year, but the relative proportion of the shorter periods to the longer periods may well be as high when employment conditions are good as when they are bad, or even higher. What is required is the average over a period of years.

For both men and women on standard benefit, February 2, 1931, about two-thirds had five spells or less of unemployment in the preceding year, while for men alone, 4.4 per cent had from 61-120 spells. Classifying the periods of unemployment for men on standard benefit according to length of proved unemployment, in 24-day groups, the average number of spells of unemployment was found to increase from 2.1 spells for the group of 1-24 days to 12.7 spells for the group 121-144 days, while the average length of the spells in each group increased from 6.7 days to 10.5 days. Even for those unemployed for 217-240 days, the average number of spells was 10.7 and the average length 21.4 days. For all those included in the sample, the average number of spells of unemployment was 8.6 and the average length 15.3 days. For those who had little unemployment or much unemployment in the year, excluding however the longest periods, the data show that the average duration of the spells was not long and that the frequency of spells of unemployment was fairly well spread over the whole body of claimants. The data also show, in a general way, how important may be the exclusion of the first day of unemployment in any calendar week, even though they may not indicate very closely the adjustment which should be made in the primary computations for the purpose of arriving at the rates of contribution.

On the basis of the British data, it had already been indicated that about 7 per cent of all unemployment would fall within the first day of unemployment in any calendar week, excluding, however, such first day in any case where the unemployment extends to the whole week or is in continuation of unemployment

of at least one week. A substantial proportion of this 7 per cent would, under the provisions of the draft bill, be absorbed in making out the waiting period of 9 days, but, having regard for the British data, it is clear that a substantial proportion certainly would not be so absorbed. For about 40 per cent of the unemployment which really comes within the benefit ambit of the draft bill, neither the 9-day waiting period nor the deduction of the first day of unemployment in a calendar week will materially affect the benefit days, for the insured persons concerned will have ample unemployed time within to collect their maximum benefit each year. (This relates to insured contributors who, on the average, are in employment less than 32 weeks per year.) Further, where there is more than one period of unemployment in a week, only one day is to be deducted for benefit purposes.

Of the unemployment which may be said to come within the ambit of the draft bill, the annual average number of days of unemployment per insured contributor, waiting period "O", adjusted as shown on line (3) in the table on page 18, is 25.10 days, 7 per cent of which gives 1.76 days. By the exclusion of $7\frac{1}{2}$ waiting days nearly one-fifth of 25.10 is excluded. Assuming that one-fifth of the 1.76 days would be absorbed in the first $7\frac{1}{2}$ waiting days (substituted in adjustment for the 9 waiting days), leaves 1.41 days. Adjusting for the 40 per cent of the unemployment within the benefit ambit of the scheme but which would scarcely be affected by the exclusion of the first day of unemployment in any calendar week, leaves .85 of a benefit day. To allow for the cases where there would be more than one period of unemployment within a week, and to be on the safe side, and having regard for the fact that Canadian experience may differ materially from British experience on this point, the adjustment has been reduced to two-thirds of 1 day. (See line 5(c) in the table on page 18.)

The adjustment to account for the effect of interest earnings on the Unemployment Insurance Fund is considered on page 21 of my report on the 1935 draft bill. The adjustment has been made by adding 2 per cent to the annual average contribution period per insured contributor.

(See line (6) in the table on page 18.)

This sufficiently accounts for the adjustments made in the primary computations. The net results arrived at, per insured contributor, are 3.10 benefit weeks per year on the average and 45.47 contribution weeks per year on the average.

It is now necessary to determine in what proportions these averages are attributable to insured persons in the several earnings classes so as to place a valuation on the total benefits and thence to arrive at rates of contribution for those benefits. For this purpose data are necessary concerning the relative proportions of wage-earners in the several earnings classes and concerning employment and unemployment of wage-earners in those classes.

The Dominion Bureau of Statistics prepared data concerning over 1,000,000 male wage-earners in insurable industries, 1931 census, showing for groups of widely varying sizes the average number of weeks worked in the census year and the average earnings for the year in intervals of \$66.00. For each group the average weekly earnings was computed and then the data were recast in another table according to the weekly earnings classes in the draft bill rather than according to the average yearly earnings in the table of primary data. From the data thus recast, the average number of weeks of employment by earnings classes for the year ended June 1, 1931, was obtained. In the tests made, as hereinafter described, these averages were used, and they were also used after rough adjustment for the rate of employment among women, taking into account the proportions of men and women in the several earnings classes as shown in a publication by the Dominion Bureau of Statistics entitled "Weekly Earnings of Male and Female Wage-Earners Employed in Manufacturing

Industries 1934-36". See Table 21 in that publication, hereinafter referred to as "Table 21". Tests were also made according to a further modification of employment rates.

All of these rates of employment were related more or less closely to the 1931 census standard of employment for the several earnings classes. But whatever rates of employment according to earnings classes might be thought appropriate for making tests, they would have to be brought to the standard already settled upon as reasonably representative of the average over a period of years for all earnings classes in the aggregate, namely, 45.47 weeks of contribution per person per year and 3.10 weeks of claim. To do this the rates of employment were combined with a distribution of insured persons by earnings classes. The three following distributions were used.

Earnings Class	Number of Persons according to "Table 21"		
	Unmodified	Earnings Increased	Third Distribution used
Under \$5.40 per week	36	24	...
\$ 5.40 to \$ 7.49	51	37	...
7.50 to 9.59	79	61	14
9.60 to 11.99	104	102	39
12.00 to 14.99	164	155	75
15.00 to 19.99	225	225	276
20.00 to 25.99	192	204	440
26.00 to 38.46	149	192	156
Total	1,000	1,000	1,000

In the years 1934-36 wage-rates were low. In comparison with the general average for these 3 years, the general average for the 9 years, 1931-39, was four per cent higher, for the 10 years 1921-30 eight per cent higher, and for the 3 years 1937-39 twelve per cent higher. A test was made of the financial effect resulting from a redistribution of wage-earners as a consequence of an increase in wages of 8 per cent throughout. It is not to be supposed, however, that the redistribution of wage-earners as a consequence of an 8 per cent increase in wages would take this simple form, but a test on that assumption was instructive.

For any combination of employment rates and distribution of wage-earners, the procedure then was to make a sufficient proportionate transfer from employed time to contributory time in the several earnings classes to bring the general average up to 45.47 weeks per person per year, and then from the remaining unemployed time to make a sufficient apportionment to benefit time to produce a weighted average of 3.10 benefit weeks per person per year. The results arrived at in this general fashion concerning wage-earners and their standardized employment and unemployment in the several earnings classes, on the several bases and assumptions, were used to compute the yearly claims and the contributions which would be necessary to pay these claims, having regard for the general instructions in that behalf. In the first instance the claims were computed at the rates for persons with dependants and then reduced to adjust for the proportions without dependants.

It would be easy to be critical of the data on which these tests were made, and of the procedure followed, but the results of the many tests showed a degree of relative stability which suggests that foundation data which might appear much more relevant might not lead to general conclusions differing materially from those indicated herein. Even with the most satisfactory data there is no procedure for arriving at rates of contribution for unemployment benefits which will with certainty prove sufficient and no more than sufficient over the years. Perhaps the best that can be done in the first instance is to arrive at rates which cannot reasonably be considered either unreasonably high or reasonably low. For this purpose the data used and the tests made were probably adequate.

The tests made all had this in common, namely, that they were made with reference to a uniform average of employment of 45.47 weeks per year and of 3.10 weeks of claim per year. This doubtless contributed to the appearance of stability in the results. For practical reasons it is rather necessary to aim at an average standard over a reasonable period, say, 10 years. But unemployment insurance as a functioning institution does not behave according to a uniform average. The scheme of benefits and contributions by earnings classes in the draft bill will doubtless prove much more dynamic in practice than the tests seem to indicate. When wages are on the increase, employment is likely to increase, and perhaps the reverse is even more true.

One effect of the ratio rule is to provide for a relatively lower number of benefit days during the first years under insurance. As a consequence a substantial fund should accumulate in the early years which should have a stabilizing effect.

It has not been found practicable to indicate herein, except by general description, the data used and the procedure followed in passing over from the general average of employment (45.47 weeks) and of claims (3.10 weeks) to the rates of contribution. This is mainly by reason of the fact that the tedious methods of tests and trial had to be followed.

NOTE

Concerning the determination of a factor, ϕ for computing the average benefit days resulting under the benefit formula from y weekly contributions each year over a period of n years, the average being ϕy :

The effect of the benefit formula is that, for y weekly contributions each year, the benefit days become equal to $3y$ after 14 or 15 years under the scheme. Having regard for this and for the algebraic relations implied in the benefit formula, it may readily be established from general considerations that the following relation holds for the total benefit days (B.D.) over n years, where n is greater than 15 and where the value of y is such that the insured contributor does not qualify for benefit until his second insurance year, i.e., where y is less than 30.—

$$\text{Twice B.D.} = \frac{6x5ny}{5} - \frac{6x11y}{5} + 6y$$

$$\text{B.D.} = y [(3n - 6.6 + 3) = 3n - 3.6]$$

Thence, for $n=25$, the average benefit days = $2.88y$. This formula applies formula applies for value of y up to $29\frac{1}{2}$ for waiting period of "O", 6, 9, or 12 days.

Where the value of y is such that the insured contributor qualifies for benefit in the first insurance year, i.e., when $y=30$ or more,

$$\text{Twice B.D.} = \frac{6x5ny}{5} - \frac{6x10y}{5} + 6y$$

$$\text{B.D.} = y [(3n - 6 + 3) = 3n - 3]$$

Thence, for $n=25$, the average benefit days = $2.88y$. This formula applies for $y=30\frac{1}{2}$, $31\frac{1}{2}$, and $32\frac{1}{2}$ for waiting periods of "O", 6, 9 and 12 days. It does not apply generally for higher values of y for the reason that the number of benefit days so computed is greater than the number of days for which benefit can be paid within the limits of one year, regard being had for the contribution period and for the waiting period.

SESSION 1940

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

BILL No. 98

Respecting

UNEMPLOYMENT INSURANCE

MINUTES OF PROCEEDINGS

THURSDAY JULY 25, 1940

Including

REPORT TO THE HOUSE

OTTAWA

J. O. PATENAUME, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1940

MINUTES OF PROCEEDINGS

THURSDAY, July 25th, 1940.

The Special Committee on Bill 98, respecting Unemployment Insurance, met this day at 10.30 a.m. (In camera). The Chairman, Hon. N. A. McLarty, presided.

Members present: Messrs. Chevrier, Graydon, Homuth, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, McNiven (*Regina City*), Picard, Pottier, Reid, Roebuck.

In attendance: Mr. Gerald H. Brown, Assistant Deputy Minister of Labour; Mr. A. A. Heaps, of the Unemployment Insurance Branch of the Department of Labour; Mr. Eric Stangroom, Chief Clerk, Department of Labour, Mr. J. S. Hodgson, Industrial Research Clerk, Department of Labour; Mr. A. D. Watson, F.I.A., F.A.S., Mr. A. A. Fraser, Joint Law Clerk of the House of Commons.

The Chairman read into the record the following communications:—

Telegram from Alex Welch, Secretary of the Secretariat of Canadian Textile Workers Unions, London, Ont.

Telegram from Mr. Frank Ahearn, President of the Ottawa Electric Company, Ottawa, Ont.

Telegram from The Shoe Manufacturers Association of Canada, Montreal, Que.

Letter from the International Brotherhood, Pulp, Sulphite and Paper Mill Workers, Secretary, James B. Rae, addressed to Mr. J. A. Bradette, M.P.

Telegram from Mr. J. McGuffie, Secretary Vancouver Building Trades Council, Vancouver, B.C., addressed to the Honourable R. B. Hanson, M.P.

The Committee immediately proceeded to consider the sections of the Bill which stood over from the previous sittings.

On motion of Mr. Mackenzie, the Committee agreed to reconsider Section 34 of the Bill and the following amendments, suggested and moved by Mr. Reid were unanimously adopted:—

Section 34 (b) (ii) the word "stated" in line 49 of page 11 is struck out.

Section 34 (b) (ii) the word "aforesaid" is added after the words "three years" in the first line of page 12.

On motion of Mr. Mackenzie, section 34, as amended, was adopted.

The Committee, on motion of Mr. Mackenzie agreed to reconsider the Third Schedule on page 36.

On motion of Mr. Mackenzie the following amendments were adopted:—

Section 1 (iii) of the Third Schedule is further amended by adding the words ", widow or widower," after the word "person" in line 10.

Section 3 of the Third Schedule is amended by substituting "A" to "Married" in the sub-heading of the table (third column).

On motion of Mr. Picard, the Third Schedule, as amended, was adopted.

The Committee, on the motion of Mr. Roebuck agreed to reconsider sections 67, 68 and 70. After some discussion on these sections the Committee did not accept the suggestion made by Mr. Roebuck and no change was made.

Mr. Roebuck moved that subsection (4) of Section 5 be amended by striking all the words after the word "Commission" in line 24. The motion was negatived by a standing vote 3 to 7.

Section 5 (4), 12, 19 (2), 20, 23, 26 were adopted.

On motion of Mr. Mackenzie, the Committee agreed to reconsider Section 24 of the Bill by substituting the word "section" to the word "provision" in line 24. The Committee adopted the amendment.

On motion of Mr. Mackenzie, Section 24 as amended was adopted.

On motion of Mr. Roebuck, the Committee unanimously *Resolved*—

That Section 48, be amended by adding the word "respectively" after the word "him" in line 29 of page 16.

On motion of Mr. Mackenzie, Section 48 as amended was adopted.

On motion of Mr. MacInnis, Section 83 (8) was amended to read as follows:—

(8) Each member of the Committee shall receive such remuneration and travelling expenses in connection with the work of the Committee as may be approved by the Governor in Council.

On motion of Mr. Mackenzie, Section 83 as amended was adopted.

Part II of First Schedule: (b) is adopted.

On motion of Mr. Reid the Committee adopted the following changes to (c) to all the words after "planing mills" in the second and third line substitute the following: "shingle mills and wood processing plants as are in the opinion of the Commission reasonably continuous in their operations."

(e) is adopted.

(k) (i) is amended, on motion of Mr. Mackenzie, by substituting to the words "pursuant to" in the first line, the word "under."

(k) (ii) is amended, on motion of Mr. Jackman, by inserting a comma after the word "authority" in the second line of the paragraph.

On motion of Mr. Mackenzie, Part II of the first Schedule as amended was adopted.

Mr. Jean suggested that (k) (ii) be further amended by adding after the word "municipal" in the second line the words "school and church." The Committee however was not of the opinion that this change be made at the present time.

On motion of Mr. Mackenzie, the Committee agreed to adopt the Bill with amendments and to report same to the House.

At 1.00 p.m., the Committee adjourned to meet again at 3.00 p.m. to-day.

The Committee met again at 3.00 p.m. to-day. The Chairman, Hon. N. A. McLarty, presided.

Members present: Messrs. Chevrier, Graydon, Homuth, Jackman, Jean, MacInnis, Mackenzie (*Vancouver Centre*), McLarty, Pottier, Reid, Roebuck.

In attendance: The same officials mentioned at the morning session with the exception of Mr. A. A. Fraser.

The Committee considered the report to be presented to the House. The Chairman read the draft of the report which was adopted on motion of Mr. Mackenzie (*Vancouver Centre*).

On motion of Mr. Jackman the Committee unanimously

Resolved: That Mr. Hugh H. Wolfenden of Toronto, who gave evidence before this Committee on July 24, be paid \$100.00 plus travelling expenses.

On motion of Mr. Roebuck, the Committee unanimously

Resolved: That the Committee appreciates highly the skill and industry of the officials of the Labour Department, namely: Mr. Gerald H. Brown, Assistant Deputy Minister of Labour; Mr. Eric Stangroom, Industrial Research Clerk; Mr. J. S. Hodgson, Chief Clerk; and Mr. A. A. Heaps, of the Unemployment Insurance Branch of that Department, and the Committee is exceedingly grateful for their co-operation.

Also the Committee expresses its thanks to Mr. A. D. Watson, F.I.A., F.A.S., Actuary, of the Department of Insurance, Ottawa, for his most valuable assistance.

At 4.00 p.m. the Committee adjourned *sine die*.

ANTOINE CHASSÉ,
Clerk of the Committee.

SECOND AND FINAL REPORT TO THE HOUSE.

THURSDAY, July 25, 1940.

The Special Committee on Bill No. 98, respecting Unemployment Insurance, begs leave to present a

SECOND REPORT

Pursuant to the terms of the Order of Reference of Friday, July 19th, 1940, your Committee has held eleven sittings in the course of which it has given consideration to the various submissions made by certain industrial, labour and other organizations.

Your Committee desires to inform the House that it has received the fullest collaboration of the members of the staff of the various departments who were called to assist the Committee in the work related to Bill No. 98.

Your Committee heard representatives of the following organizations:—

The Canadian Manufacturers Association,
The Trades and Labour Congress of Canada,
The Canadian Hospital Council,
The Retail Merchants' Association of Canada, Inc.,
The Canadian Chamber of Commerce,
The All-Canadian Congress of Labour,
The Canadian Committee for Industrial Organization,
The Railway Association of Canada,
The Canadian Bankers Association,
The Canadian Transit Association,
The Canadian Life Insurance Officers Association,
The Logging Industry of British Columbia,
La Fédération des Travailleurs catholiques du Canada,
The Brotherhood of Locomotive Firemen and Enginemen.

Your Committee also heard Mr. H. Wolfenden, Actuary, of Toronto, and Mr. A. D. Watson, Actuary, of the Department of Insurance, Ottawa, regarding the actuarial basis of the Bill under study.

Your Committee, after careful consideration of all evidence adduced before it together with all material submitted to its consideration, begs leave to report the said Bill (98) with amendments.

A copy of the printed evidence taken before the Committee is tabled herewith.

Your Committee further recommends that the Annual Report of the Unemployment Insurance Advisory Committee be placed before a Standing Committee of the House for their deliberations and the hearing of representations.

All of which is respectfully submitted,

N. A. McLARTY,
Chairman.

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